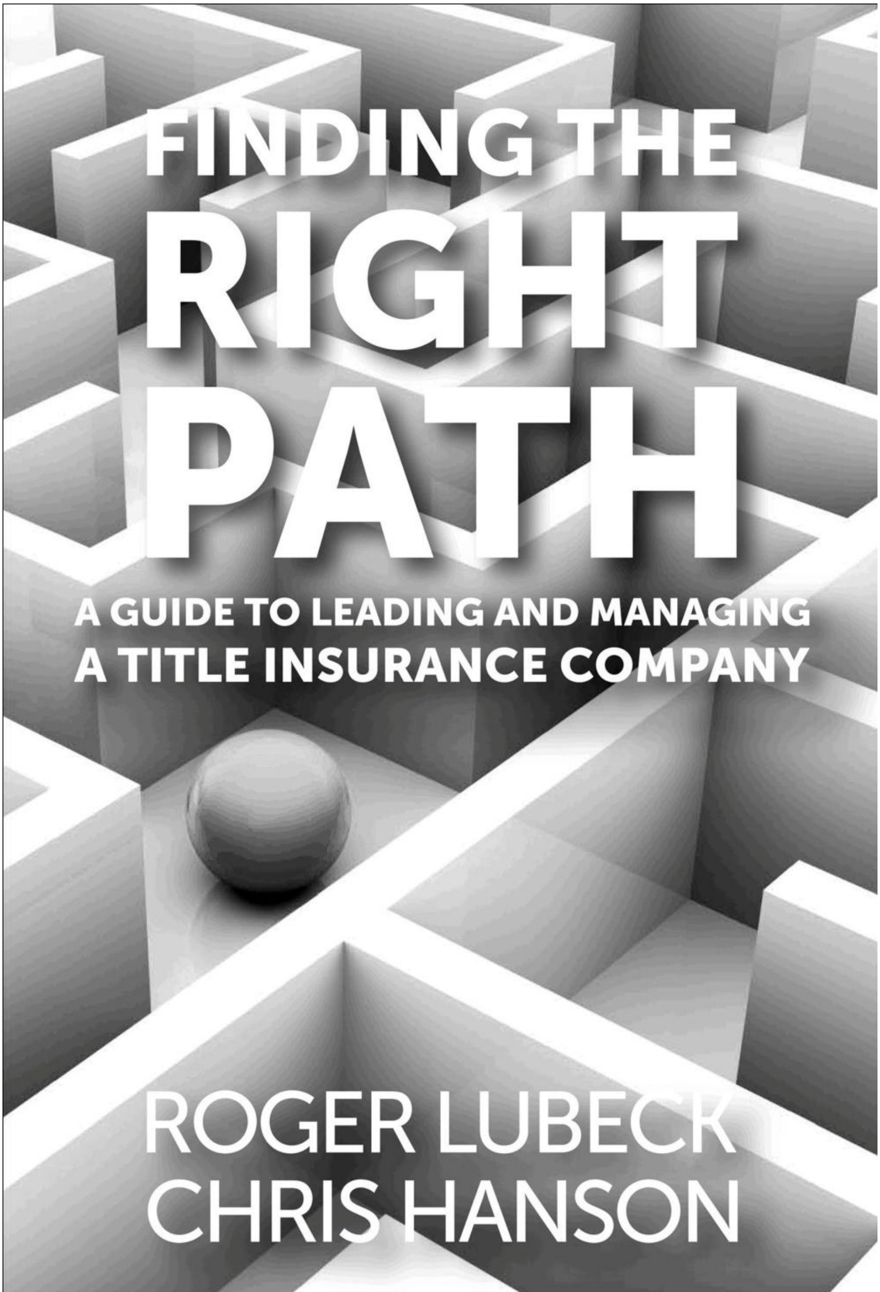
FINDING THE
RIGHT PATH


FINDING THE
RIGHT
PATH
A GUIDE TO LEADING AND MANAGING
A TITLE INSURANCE COMPANY
ROGER LUBECK
CHRIS HANSON

FINDING THE RIGHT PATH:
A GUIDE TO LEADING AND MANAGING A TITLE INSURANCE COMPANY

Cover Design by Ted Stanaszek

Library of Congress
Cataloging-in-Publication Data Available
LCCN 2011940357

ISBN-13: 978-0983728139
ISBN-10: 0983728135
282 pages

It Is What It Is Press
686 Carriage Hill Lane
Sugar Grove, Illinois, 60554
iwiipress.com

iiWii
PRESS

Working with
Corporate Behavior Analysts, Ltd.

"University Title Company's success today is because of practices and vision learned from working with CBA." Celia Goode-Haddock, Chairman of the Board/CEO of University Title Company, College Station, Texas.

"Engaging CBA was a turning point for Prairie Title. Roger and Chris do not come into an organization with bold promises to fix it. Instead, they teach their clients how they should think about running their businesses." Frank Pellegrini. CEO. Prairie Title, Oak Park, Illinois.

"The workshops and programs presented by CBA throughout the country have helped hundreds of independent agents meet the challenges brought about by the dynamic changes facing the title industry. Many agents consider CBA to be their 'silent partner!" George 'Mike' Ramsey, retired in December of 2010 after 44 years in the title industry. He was a Regional Vice President and Agency Manager for Chicago and Fidelity National Title.

"With CBA's fresh set of eyes and patience we were able to develop a plan to navigate through the most difficult business climate our Industry has ever experienced. Working with them has not only been productive and enlightening, it has also been enjoyable, which helped make the entire process even more successful." Mark Myers, President, Meridian Title Company, South Bend, Indiana.

CORPORATE BEHAVIOR ANALYSTS, Ltd.

Corporate Behavior Analysts, Ltd. (CBA) is a Chicago based consulting firm providing leadership and management development. Founded in 1998 by Chris Hanson and Roger Lubeck, CBA has worked with hundreds of independent title insurance agents, the two largest title insurance underwriters, and numerous Land Title Associations. As national speakers and experts on leading title insurance companies, Roger and Chris have consulted with companies in more than thirty states.

ROGER C. LUBECK, Ph.D.

Roger Lubeck, Ph.D. is President of Corporate Behavior Analysts, Ltd, and has over 30 years of consulting experience in real estate services, healthcare, higher education, manufacturing, and mental health. Roger has a Ph.D. degree in Experimental Psychology from Utah State University and degrees in Behavioral Psychology from Western Michigan University. In his career, Roger has been a business consultant, workshop leader, retreat facilitator, public speaker, speechwriter, assistant professor, researcher, parent trainer, and dogcatcher. Roger is married to Lynette Chandler, a University Professor and author. Roger is the author of two published novels and a number of publications on customer service, leadership, management, marketing, and sales.

CHRISTOPHER R. HANSON, Ph.D.

Chris Hanson, Ph.D. is Executive Vice President of CBA. Chris holds degrees in Behavioral Systems Analysis and Clinical Psychology from West Virginia University. He has over 30 years of consulting experience in the public and private sectors. Chris has consulted with early childhood programs throughout the U.S. including establishing integrated services for HIV infected children and their families. Since 1991, Chris has advised and coached business executives and managers in the title insurance industry. He is an avid backcountry skier, loves Black & White photography, and lives in Chicago with his wife Cheriann, two daughters Lindsay and Kristan, and a black lab named Sam.

Dedication

To Lynette Chandler: Once more into the breach.
Down one more path.

To Cheriann, Lindsay, and Kristan Hanson: The home team that keeps the light on and helps me find my way.

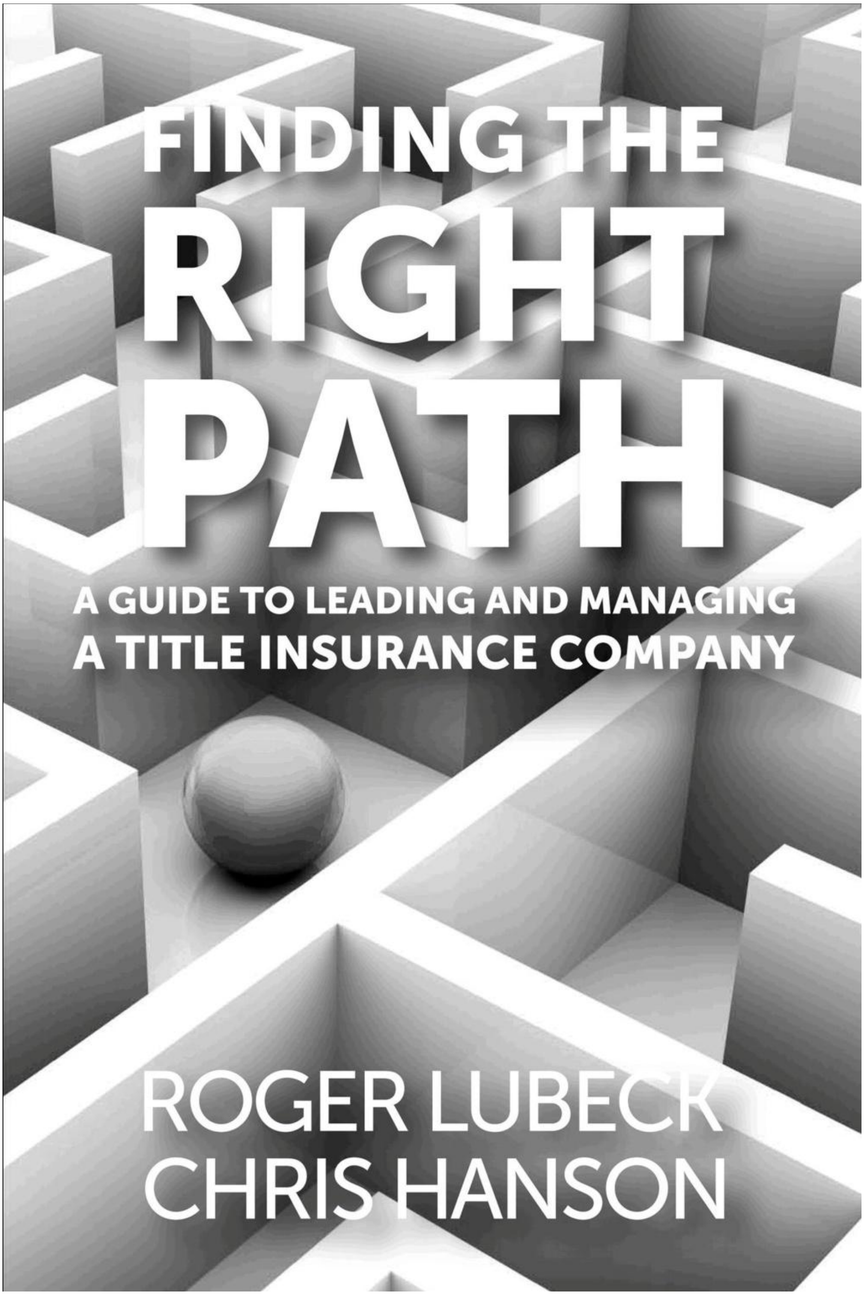

FINDING THE
RIGHT
PATH
A GUIDE TO LEADING AND MANAGING
A TITLE INSURANCE COMPANY
ROGER LUBECK
CHRIS HANSON

TABLE OF CONTENTS

PREFACE

FINDING OUR PATH

In writing any business / professional book, the authors have to address what the book is about, whom the book is for, and what qualifies the authors to write on the subject. This book focuses on leading and managing title insurance companies. It is a guide for owners and managers working in title insurance companies and agencies, fee attorneys, and/or escrow / settlement companies.

This book is for title insurance professionals working as managers or supervisors. We wrote it for both a new manager (first time) and for more experienced managers. It neither covers every topic found in a textbook on management nor does it present research or references on every topic. This is a book summarizing our experience and it focuses on those aspects of management that we find ourselves giving advice on repeatedly.

We have divided the book into sections on Leadership and Management. A second volume on Strategy will follow. Each chapter was written to stand on its own, but there is a logical sequence to the topics. In each chapter, we have highlighted certain guiding principles; these appear in a box in the chapter and are listed at the end of the chapter. In addition, we have included take away activities that can be completed in the office. When we conceived of the book, we thought about an owner using it with his/her managers, especially new managers. In our thinking, the management team would read one chapter and then review the chapter with his/her manager. The guiding principles are intended to stimulate a conversation among managers.

By way of background, my co-author Chris Hanson and I have worked together as full time consultants for more than nineteen years. In 1998, we started Corporate Behavior Analysts, Ltd. (CBA). At CBA, we like to say that we help clients find the right path to their business success. We use our knowledge and experience to advise and guide owners and managers in making business decisions.

In our nineteen years, we have consulted with the largest title insurance underwriters, companies with thousands of managers, and we have consulted with companies with as few as three employees. At times, we have worked together with the same client and we have each maintained our own separate set of clients. When we could, we have published articles, and presented seminars and workshops primarily on leadership, management, and sales.

In terms of background and training, we are both Ph.D. level Psychologists, meaning that we have over ten years of university training related to why people behave as they do.

Chris Hanson is a Clinical and Behavioral Systems Psychologist; he was trained to work in human service systems that provide psychological and other services to people with disabilities or people who have behavior problems related to mental illness. The systems part of Chris' training meant that he was interested in how organizations work as opposed to treating the individual. After graduating from West Virginia University, Chris directed several mental health programs, but his overriding interest was to work as a consultant in business, which he did beginning in 1991.

Roger is an Experimental Psychologist meaning he was trained to conduct research and to test theories or questions related to why people behave as they do. After completing his doctoral requirements at Utah State University, he taught Psychology at several Universities. Early in his years of university teaching, Roger began consulting with mental health agencies. In his last six years at Southern Illinois University, in addition to teaching and consulting, he managed two human service agencies whose purpose was to prevent child abuse.

In addition to the title insurance industry, we have consulted in a number of different industries and businesses, experiences that provide us with inspiration and guide our work. For example, law firms, a graphic design firm, a builder, and real estate companies. Also, we have consulted in health care: working in hospitals, physician practices, hospice facilities, and schools for chiropractic training. As a graduate student, Roger was hired as a behavior therapist at a school for the deaf. In college, Roger worked on a line at Chrysler and was a Humane Society worker (dogcatcher) in Detroit. Chris sold ski equipment in New York.

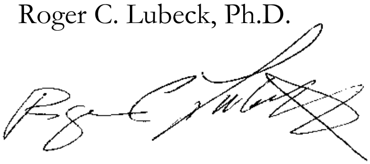
In 1991, Chris joined a management-consulting firm, Corporate and Organizational Behavior Analysts (COBA). In 1992, Roger left the university world and joined Chris working for COBA.

At that time, Chicago Title Insurance Company was one of COBA's clients. In 1992, we developed and delivered a management-training program to the top tier of office managers at Chicago Title and Ticor. Following that program, we developed and delivered a similar program for a select group of top Chicago Title and Ticor agents.

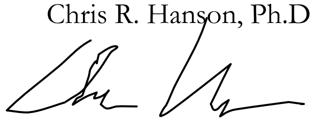
In ensuing years, we have consulted with the major underwriters, we have worked with title agents in thirty states, we have conducted a seminar series for one hundred of the largest title insurance companies, and we have spoken to thousands of title insurance professionals all across America. Finally, in our day-to-day consulting, we have worked with hundreds of supervisors, managers, and owners, all in one industry, Land Title Insurance.

In summary, we have spent more than half our careers advising, working with and guiding owners and managers in title insurance companies. This book is a first pass at sharing the knowledge and experiences we have gained along the way, along our own path to success.

Roger C. Lubeck, Ph.D.



Chris R. Hanson, Ph.D.

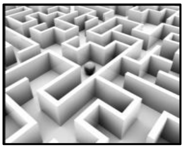


Acknowledgements

There are many important mentors, peers, friends, and customers who have contributed to and shaped our professional lives. For Roger, Richard W. Malott and J. Grayson Osborne were early academic mentors and continue to be friends. In terms of understanding the art of business consulting and working with the Title Insurance Industry, no persons could be more important to our development than Jon Krapfl and Jim Noah, the founders of Corporate and Organizational Behavior Analysts, Inc. COBA was our training ground and Jim and Jon were role models, mentors, and friends. We also would like to mention those industry leaders, managers, and independent title insurance agents with whom we have had the pleasure to work. Of special note are Chris Abbinante, Amy Everett, and Susan Tempest for their contributions to the book. In addition, we want to thank Alan, Allen, Betsy, Bill, Bob, Burt, Buzz, Celia, Chris, Dave, Debbie, Debi, Diane, Dick, Don, Frank, Gary, Jack, John, Ken, Larry, Linda, Louis, Margaret, Marion, Mark, Molly, Nancy, Peter, Renee, Robin, Scott, Stat, Steve, Susan, Ted, Terry, Wanda, and all the others. You know who you are and we thank you, because without your desire to develop and improve your organizations, this book would not have been possible.

LEADERSHIP

CHAPTER 1



FINDING THE RIGHT PATH

This book is about leading and managing a title insurance company. In this chapter, we examine those aspects about leadership and management that are common to any business and we consider why leading and managing a title insurance company requires certain unique skills, experience, and knowledge. In Chapter 2, we provide an overview of the title insurance industry and our perspective on leading and managing a title insurance company in the future.

For the majority of the 20^{th} century, business schools of management have argued that "management is management," meaning if you learned certain basic principles of management including analyzing facts, making decisions, and solving problems you will be able to manage any company. In this approach, if you have a business degree, a degree in management, you should be able to manage a restaurant, a clothing store, a manufacturing company, or a title insurance company.

For years, we bought into the general manager concept, and we focused on a set of business skills that every manager needs. However, in twenty years of consulting in the title insurance industry, we have met very few managers with a degree in management and even fewer who accepted the idea of a general manager in a title insurance company. Rather they believed managing title insurance employees: searchers, examiners, processors, and closers require specific technical knowledge and managing such technical people is different from managing employees in any non-technical business.

Today, we have come to believe that the first requirement for leading and managing is having good people skills. Effective leaders and managers are able to direct, influence, motivate and support their employees. They are skilled at the people side of business. In addition, we have come to believe that managing a title insurance company requires specific technical knowledge, and experiences in addition to the ability to influence people and work. Finally, we recognize that creating a sound business, making a profit, and getting results the right way is an essential requirement for any leader. In a title insurance company, the most successful people we know combine all three of these dimensions. In essence, we have concluded that leading and managing a title insurance company and title employees is different from other small businesses in part because of its technical nature and in part because of having technical employees. If you are a title insurance professional, we did not have to convince you that a title insurance company is different and perhaps unique. What may be harder to get you to understand and accept is the idea there are leadership and business processes and tools you may not have but you will need in the future.

In this book, we address many of the business skills we feel title insurance company leaders and managers always need or will need in the future. Most of these processes and skills are not new. We have been talking about them for years. What is different is we are explaining them based on our experience in the title insurance industry and using examples from actual title insurance companies.

Guiding Principle

Leading and managing a title insurance company requires good people skills and technical knowledge and experience.

If you are the owner of a title insurance company, we already know several things about you. First, unless you are a silent partner and only in it for the money, you have worked in the title business, you like the title insurance business, and you were successful, otherwise why select this industry as a business. If you have worked successfully in a title insurance company you either have a technical background (title or escrow) or you can sell, or both.

The next thing we might guess is you did not like working for someone else, perhaps you like to be in control. Finally, no matter how careful or conservative your nature, we know as an owner that you are willing to take on a level of risk that is greater than most people in business. So far, these guesses did not require a degree in psychology and neither does this last guess. If you have been in business for more than three years and are making money, we know you are doing something right. On the other hand, if you have been in business more than three years and are losing money, we know you are in trouble and if something does not change and improve, you will be out of business. In simple terms, if you are losing money, you are following the wrong path and you need help to find the right path to your future success.

At some point, every business owner, leader or manager needs outside advice, whether legal, financial, technological, or human resources. Smart owners seek advice before they even begin and they obtain professional advice throughout the company's lifetime. Unfortunately, many owners wait until the business is in ruins before they ask for help. Look at the cover of this book. It is a picture of a blue marble making its way through a wooden Labyrinth puzzle. If you had one of these games, you know it is easy to find yourself in a dead end and it is easy to take a wrong turn or make a wrong move and have the bottom drop right out from under you. Being the leader or manager of a title insurance company is a lot like this game. One wrong move and you are out, and even when you successfully get past one hurdle, there is always another one.

Expectations of Leaders

To be an effective leader, you have to understand the job requirements and the roles you will play. In a small business, one difficulty in understanding the job of owner is the owner is likely to play the roles of leader, manager, and primary employee. In a small independent title insurance agency, for example, the owner is expected to be the leader and office manager. He/she also may serve as the lead sales person, examiner, or closer. At the end of the day, the owner is probably the person who locks up at night and takes out the trash. In a small business, having to be a leader one day, and a manager the next, and co-worker throughout the week can be confusing.

Guiding Principle

Acting as leader, manager, and team member is confusing.

One way to reduce this confusion is to be clear about what is expected in each role. The job of leader is perhaps the most difficult because we do not do it every day but when we need to lead, acting like a manager or employee will not do. Providing leadership can mean many different things because different situations require different styles and types of leadership.

Guiding Principle

Leaders provide direction, inspiration, and motivation.

Every business leader has these expectations:

1. Provide direction.
2. Establish the values and vision.
3. Set goals and standards.
4. Look out for employees.
5. Inspire and motivate.
6. Solve problems.
7. Promote innovation and change.
8. Keep the company informed.
9. Promote the company with customers/community.
10. Ensure the financial stability of the company.

If you are the manager of company owned by someone else, or you manage an office owned by a large company, you might not have a role in establishing values and vision or use your own money to keep the company going, but other than these differences, every leader is expected to demonstrate these qualities when necessary.

Leadership Style

Whenever Psychologists analyze people, they have a tendency to divide the people and behaviors into categories. For example, there are various models of leadership, which describe the style or approach taken by different leaders. For several years, we have used two different Inscape publishing tools to describe and categorize a person's basic behavioral profile (DiSC), and his/her Dimensions of Leadership Profile.

In the Dimensions of Leadership Profile, people lead by using one of four major styles: Character, Analysis, Interaction, or Accomplishment. For example, a leader who leads by Character may be respected for her integrity and enthusiasm. People respect a leader known for her Analysis because she shows good judgment and is perceptive. A leader known for Accomplishment is likely to be bold and focused on performance and results. Finally, a leader known for Interactions leads by inspiring, serving others, and collaborating.

In looking at leadership styles, there is no question a person can try to lead from various different styles. However, it also is true that most people have a preferred or natural style and in difficult situations, they are likely to fall back and rely on one style. Knowing what style (if any) you use and understanding when this style is useful and what to watch out for can be invaluable for any leader.

For example, a person who leads by Character sets a high regard for his values and will hire people with similar values. This is a person, who does what he says. He is honest and viewed as incorruptible. People who will follow this leader are likely to share his or her values. People will follow this person because they have come to trust what he says and does. They respect him. This leader fails if his followers call into question his values, integrity, or honesty. This person will fail as a leader if people learn they cannot trust what the person says or does.

Consider a different leader, one who leads by Interactions. This leader sets a high value on collaboration and teamwork. This person puts herself after others. She is a servant leader, meaning her job is to represent, to serve her employees. This leader inspires and makes others feel inspired. She asks the question 'what can I do for you?' People follow this leader because they feel underrepresented, and this leader speaks for them. The difficulty for this leadership style is that it is easy to tell rather than listen, and easy to make decisions without input.

As Psychologists, we tend to believe leadership is situational, meaning that different situations require different styles. However, there are certain critical jobs every leader must do regardless of style. Whether you are values driven or analytic, new to leadership or have been running a business for twenty years, what is important to understand is the primary job of the leader is to create a business that is profitable, a business that grows. Beyond profit, the job of the leader is providing direction that brings about innovation and change.

Guiding Principle

Leadership is about change.

More than any other time or situation, leadership is required when something has to change. On a day-to-day basis, employees do not need or expect leadership. Rather they need management and teamwork. People need leadership when the company is trying to change. Leadership is needed when internal problems or external factors are threatening the company. In Chapters 2-5, we consider four aspects of leadership:

Leadership Chapters

2. Understanding the title industry as a business.
3. Assessing your organization.
4. Setting direction.
5. Using measures and metrics.

We chose to focus on these dimensions because they are essentials for leading a title insurance company. In Chapters 6-13, we examine eight aspects of management:

Management Chapters

6. Developing a team.
7. Employee culture.
8. Starting to manage.
9. Influencing behavior.
10. Setting expectations.
11. Supportive coaching.
12. Managing problems.
13. Why meetings are important.

In Chapter 14, we examine how to make change practical. Deciding to change and designing change is essentially an issue of leadership, however ultimately causing change is the task of the manager.

Management

The primary job of the manager is to create stability at work. The manager's job is to organize and manage the way work is performed. In all companies, the role of every employee is to perform the work for which he/she is paid, to meet the standards for their job, to abide by the policies of the company, and represent the values of the company at work. Finally, every employee should have a role in achieving the goals of the company.

A manager's expectations should be about the work and the employees. To that end, a manager has to ensure:

- The work is timely.
- The work is complete.
- We are productive as a team.
- We are accurate as a team.
- We meet our goals.
- Cooperation within and between units.
- We are improving.

In addition, a manager has to ensure that:

- The work is covered.
- Employees show up.
- Employees show up on time.
- Employees follow procedures.
- Employees abide by policies.
- Employees respect one another.
- Employees get along.
- We have fun.

The job of the manager is to ensure that others produce and deliver the products and services of company. The manager has to ensure that the products and services meet industry and company standards. All of this must be done while managing expenses. In the end, the expectation of the manager is to return an adequate profit.

Guiding Principle

Managers create a stable work environment.

When needed, the manager has to take off his/her manager hat and become another team member, examining files or closing deals. At other times, the manager has to provide leadership. However, this is not an everyday job.

Finding your path

One of the great things about America is that an entrepreneur can make money in all kinds of ways. It is also one of the biggest challenges. We once heard a speaker talk about the right way to manage and the wrong way. Unfortunately, in recent years, a small number of very successful businesses brought all of the real estate related industries (including title insurance) to their knees because they were mismanaged. Managed the wrong way, the CEOs and Boards of Directors allowed money and greed to drive their business. One thing we have learned is making money is never sufficient evidence that a business is managed the right way.

Many small businesses start up and succeed almost by accident. Have you ever been in a small local restaurant where, in your opinion, the food is great, the service superior, and the sense of hospitality created by the family that owns the restaurant is welcoming and makes you want to come back? Getting it right in the restaurant business may be very different from getting it right in the title business, but when an owner gets it right in any industry, he is tempted to do one of two things, sell or expand.

Think about your favorite hole in the wall restaurant. Often times after a period of success the owner of a successful small business will move into new space, tripling the number of tables, adding a bar, and hiring a dozen new staff. Other owners, following the success of their business, will open a second location. If you have seen this happen to your favorite restaurant, the question is what happened next. For many small businesses, expanding or adding locations means they stop doing what they do best and fail. Did this happen to your favorite restaurant? Was the new location packed at first with customers who seemingly loved the restaurant, but then because it was too crowded, the regulars dropped off, and then because revenue was down, the owner cut back on the quality of the food, and the service became indifferent? Over time, as fewer and fewer customers arrived for dinner, did the owner fire all the employees who were not relatives, until the owner went broke and closed the doors? Do you know a business with a story like this?

Today, according to Small Business Administration statistics fifty one percent of businesses make it five years, but that means forty-nine percent close their doors before five years. Why? As a business grows, the owner is faced with a series of business decisions related to location, management, products, services, customers, employees, facilities, technology, sales, etc. Just like moving through the puzzle.

As business psychologists, we could have written a general business book on leadership and management, but hundreds of such books exist and most take their ideas from books by a few leading writers, like, Peter Drucker and Jim Collins. Rather than write another general book we decided to discuss what we know best, title insurance companies. Now all that remains is to convince you that our experience and expertise, our advice will be helpful for you. Perhaps an example will help.

Several years ago, we worked in a title insurance company that was losing more than $15,000 a month due to escrow errors. Errors that were being made by employees. This was a large company and $15,000 a month was a small percentage of total revenue. When we met with the owner he made it clear he wanted to 'stop the bleeding,' however he was very aware of the sensitivity of the manager in question. In essence, the owner did not want to upset the manager.

When we met with the office manager, he assured us, and his boss, that his claims were declining and he had the problem well in hand. In essence, he said he did not need our help. As such, we moved on. After a year with off and on again losses, we were called in again to correct the problem that now included a $90,000.00 claim.

To start, we did something the owner and manager had not done, we examined in detail the company's claims records. We mention this because one of things we have learned is we are often hired to do something the company could have and should have done, but did not take the time to do. In this case, we analyzed and solved the problem in a matter of days.

Based on our claims analysis, we determined that over 80% of the losses were due to the same small type of errors (less than five). We also discovered that the same three employees mostly caused the losses. Fortunately, by the time we arrived on site, the three employees no longer worked for the company and most of the problem had corrected itself, because new employees with better training and knowledge of local practices were working in the office. Nonetheless, the mistakes made by the past employee were still costing the company money, which might have been saved had we started sooner.

In the end, we spent two afternoons working with the manager and the new employees to establish procedures to avoid the types of errors that had been so costly in the past. In essence, we established a set of rules and procedures designed to avoid the common mistakes made in that specific market.

Although we consider this case as a success, it offers an important lesson for anyone in the title insurance business. Title companies are in the business of reducing risks. When we initially proposed what we wanted to do, the owners decided to hold off and not take advantage of our assistance for two reasons. One, they thought they could correct the problem themselves, and two, they did not want to spend more money on top of what they were already losing.

On paper, their reasoning was sound, but we knew they were wrong. First, the manager of that office was a significant moneymaker and was confident he could solve problem without outside help. Second, even with its losses the office in question was one of the most profitable offices in the company, so it was argued, the losses, as a percentage of revenue, could be written off as a cost of doing business. Finally, the company had a dozen other successful managers and offices, so the owners reasoned they had ample internal experience to draw from and could send in one of their own to solve the problem even if the manager in question failed and had to be replaced.

This example provides an insight into this specific company that sets it apart from most other title insurance companies and from any well-managed business. The goal of every business is to make a profit. Title companies have the added responsibility to reduce risk. As such, escrow loses that are the result of controllable errors become a failure of leadership and management. From our point of view, this example is important because it illuminates a number of problems we have encountered in consulting with any business.

In this case, the owner wanted the office manager to dig his way out of a problem he had caused. To assist the manager, the owner had monthly meetings to review progress and he offered himself and other managers as go to experts. In offering this assistance, the owner believed he was giving the manager the necessary tools to turn around the problem. The trouble was there was no analysis of the problem, there was no plan to change the problem, and there was no one responsible for or dedicated to solving the problem. A year, and some $250,000 later, we were called back in by the owner because he was still losing money and he was ready to fire the manager. In essence the owner had taken a wrong turn down a dead end and he was about to lose the blue marble.

Once we were back on site, we spent several days observing the office workflow and analyzing loss data. Using the help of the manager and several key employees, we went back through a year of claims data and categorized each claim into one of ten types. Based on this analysis, we identified the most common errors and determined that the majority of claims were caused by a small number of mistakes (i.e., The Pareto principle or 80/20 rule). Armed with this analysis, the employees and the manager designed a set of procedures to avoid these mistakes in the future. In a matter of days, we solved a problem that the manager and the company had not solved in two years. Why? Because we knew the problem was the manager, the way he had organized the work, and how he managed people and performance. Does this example prove that managing a title insurance company is unique? Not really. The manager's problems stemmed from a lack of communication, a tendency to do everything himself, everything at the last minute, and a failure to supervise and correct the work of others, all problems we have seen in other types of companies. What makes this example important is solving the problem quickly required a specialized knowledge of the industry and local practices, knowledge of claims management and analysis, and knowledge of what level of loss was acceptable or standard in the industry. Knowledge that we had as title insurance industry consultants, but knowledge the manager did not possess, even with years of experience in the title business. Knowledge not taught in law school.

As a business grows there are any number of steps that can be taken on the path to success. At a certain size, every owner will need others to manage the work. At a certain size, the business needs systems rather than heroes. At a certain size, the business will have to have an infrastructure that supports the purpose of the business. At CBA, our role is to assist owners and managers in making certain key decisions throughout the lifetime of the business. As a leader and manager, your job is to find the right path to success. Our job is to help.

TAKE AWAY ACTIVITY

1. How has your organization changed in the last two years?
2. List any critical decisions you must make in the next two years.
3. Examine the list of tasks, issues, and problems and identify whether the situation call for leadership, management, or teamwork.

[L / M / T] A competitor is offering a new service.

[L / M / T] An employee is under producing.

[L / M / T] An employee is drinking at lunch.

[L / M / T] Escrow losses are up.

[L / M / T] The budget is overdue.

[L / M / T] Employee reviews are overdue.

[L / M / T] A manager is criticizing customers.

[L / M / T] An employee is having trouble at home.

[L / M / T] Calling a customer to address a complaint.

[L / M / T] A sales person is over promising to customer.

[L / M / T] A closer is accepting gifts from a customer.

[L / M / T] The reason for a new computer system is explained.

[L / M / T] Employees need to be held accountable for policies.

[L / M / T] Setting a new dress code.

[L / M / T] Targeting new customers.

[L / M / T] New Employee Training.

[L / M / T] Implementing a new computer system.

GUIDING PRINCIPLES

CHAPTER 1

FINDING THE RIGHT PATH

1. Leading and managing a title insurance company requires good people skills and technical knowledge and experience.
2. Acting as leader, manager, and team member is confusing.
3. Leaders provide direction, inspiration, and motivation.
4. Leadership is about change.
5. Managers create a stable work environment.

CHAPTER 2

THE BUSINESS OF TITLE INSURANCE

In this overview, we consider what sets title insurance apart from other insurance and what makes it different to manage from other types of professional businesses. Before we talk about the title insurance industry, it is important to recognize the different types of title insurance companies that exist in the United States. One distinction is between companies owned by one of the major underwriters as contrasted with independent title insurance agencies. For the most part an independent title insurance agency will be licensed or approved by one or more underwriter so they do have a connection to the larger company, but an underwriter does not own them and they usually have more than one underwriter.

Another difference is the type of company, for example, S-Corporation, C-Corporation, Professional Corporation, or Professional Limited Liability Corporations. While these are tax distinctions, Law firms with a title insurance company often are PC or PLLC whereas title insurance companies without attorney owners are seldom Professional Corporations. In our experience, the difference between an attorney owned company and a corporation without attorney owners is significant in that most title insurance companies owned by attorneys are managed like law firms.

In small businesses, size is important. The definition of a small business is that it is independently owned, it is in business for profit and it is not dominate in its market or industry. Clearly, a privately owned company with five employees is a small business, but so is a company with 200 employee and revenue of ten million dollars. So, are you a small business or a really small business?

In our experience, companies with one to fifteen employees are different from companies with twenty-five to fifty employees, and companies with more than one hundred employees are different still. A related distinction is the number of offices being led and managed.

A company with fifty employees in one location is different from a company with fifty employees in seven offices.

Regardless of the company's overall size, an office with seven employees will have leadership and management issues common to any other business of the same size regardless of how big the parent company. Likewise, an office of twenty-five will have different problems from an office of five and share much in common with any title insurance company of the same size. Primarily, leading and managing are about people. The more people you have to lead and manage the more issues and problems.

Guiding Principle

Leading and managing are about people

Finally, we have to say something about family businesses. We just said that a business with five people is the same regardless of the size of the parent company. This is true provided the owners of the company are not the actual parents. Small family businesses have all the problems of any small business and on top of that, they have the problems of being a family. Small business often need professional help and sometimes business counseling. Family business invariably need some level of family counseling too.

The Title Insurance Industry

In a real estate transaction, the title insurance company determines (or perhaps assures) whether a piece of real property is free of any liens or defects so that it can make a commitment to issue a policy that will insure the property being sold (transferred). The title insurance policy covers any defects in the chain of title that existed before the sale of the property, meaning problems or issues related to the property or its ownership prior to the sale. These problems could exist because they were missed in the abstracting and examination of the chain of ownership or because of errors in the records related to the property and its owners. In essence, a title insurance policy is insuring the past.

In some ways, it is similar to the warranty on a car, in that it is insuring the owner against defects that actually occurred in the manufacture of the product but are not discovered until after the sale.

This statement is so important to understanding title insurance from other insurance that perhaps we should say it again. Title insurance is insuring the past. All other insurance insures the future, they insure against the chance of some event in the future. Title insurance guards against errors of omission and commission made in searching and examining a property's records. Life insurance, for example assumes a certain level of risk. Title insurance is trying to avoid, reduce, or eliminate risk.

Guiding Principle

Title insurance is insuring the past.

In early America, the transference or conveyance of property was performed by attorneys. In the earliest days in the United States, when a piece of real property was sold, the seller and the buyer were usually both represented by attorneys. If a bank loaned money for the sale, then the bank's attorney or a bank representative might be involved too. In the sale of property, the attorneys were employed to draw up the purchase agreement and to assure the property was owned by the seller and the property was free of any liens or other issues (problems or defects in title) that would prevent the sale. At this time, the attorney or a company would abstract the property records, examine the records, and then offer an opinion regarding the salability of the property.

In the late 1800's, companies like Chicago Title came into existence. Initially, these companies were successful because of the quality of their independent land records. After the Great Chicago Fire of 1871, it was the independent land records of three companies that became the basis for Cook County's land records.

At first, these businesses sold title evidence to other attorneys who then examined the abstracted evidence of ownership, offered a legal opinion and performed the settlement. By 1888, title insurance companies were issuing a title insurance policy, meaning that the company would stand behind the accuracy of its title work if there were a claim regarding ownership. The policy would protect the buyer against the claim. Over time, the most successful of these companies became today's major insurance underwriters and title agents.

Different Insurance

When a person takes out a term life insurance policy, he/she is buying a policy that assures money will be paid if the insured dies during the term of the policy. An insurance premium is paid on some regular basis, monthly, annually, but at the end of the term, the policy has no cash value. This type of policy protects against an unexpected event. In this instance, the company issuing the insurance policy is assuming a certain level of risk.

Likewise, homeowners insurance protects against damage or loss of a house and its holdings against an unexpected event. Auto insurance protects the driver and the vehicle against an unexpected event during the term of the policy. In some sense, all of these other insurance policies are a wager, a bet between the insurance company and the policyholder. The price of the policy is based on an actuarial model or a statistical database that describes the incident of the insured event (accident) or claims over time. Based on these actuarial statistics, the insurance company calculates a price for a policy with the intent to fund all claims, cover business costs, and to make a profit. The purpose of an insurance company is to assume the risk on the part of the customers it insures, and make a profit doing so.

The cost of insurance is determined using statistics to determine risk and taking into account the cost of doing business. In some states the price is set by the state, and in other states, the insurance company can set the fee. In either case, the fee is highly competitive because the science behind pricing the risk is well established and standardized. For example, today most homeowners insure their home and automobiles and other valuables through a single insurance agent like Famers, or State Farm, or that company with the Gecko, Geico. They also may have life insurance policies with one of these companies. What they do not have with any of these national carriers is title insurance. Life, Property, and Casualty (P & C) Insurance are regulated by each state and sold by local agents, but these agents have not, and in some states cannot sell title insurance because title insurance is fundamentally different from P & C Insurance.

As we stated earlier, title insurance protects the owner of the property against problems or defects in title. The fee for the policy is paid once at closing and it protects the buyer against problems in the land records that were not discovered at the time of the transference of property. The title policy assures protection and the title insurance company is assuring that they will defend the owner and cover any legal costs if there is a claim. In actuarial terms, the price for a policy is based on the company's claims history which is a reflection of the quality of the records, abstracting, examination, and underwriters, meaning the company' accuracy in discovering problems in title. In essence, the title insurance company is betting that the records they are using are correct and that they did not make a mistake in checking the records.

When we compare title insurance to other insurance, the purpose of title insurance is to reduce or eliminate the risk in buying real property. In terms of managing a business, the quality of work performed by the title examiner and the settlement staff has everything to do with the level of claims. In a P & C company, the risk being insured is based on the policyholder and has almost nothing to do with the quality of the work being performed by the people working in the insurance office.

Historically, the P & C office is a sale site with no on-site (local) underwriting. In contrast, the title office is both a sales office and an underwriter; the risk is determined by work performed in the local office. This difference is one of the reasons why leading and managing a title insurance company has been different from other insurance business. Life, property, and causality insurance protect against some future event, an event that will happen with some probability. In managing a life insurance office, the accuracy with which an employee enrolls a policyholder is important, but more important is being friendly, helpful, and customer oriented. In a life insurance office, when a claim occurs, no one is at fault. The life insurance company has assumed some level of risk and now it has to pay out. In a title insurance company, major mistakes, if made by the local company (employees) can close the business.

In the past decade, the major underwriters have taken steps to consolidate the process of searching, examining, and underwriting. Now instead of every office performing the title production process, there are regional centers where the work is centralized. In addition, a small percentage of residential searching and examination has been automated, meaning that the issuance of the commitment to write a policy is performed largely by artificial intelligence. These changes will dramatically affect leading and managing a title insurance company in the future.

Consumer Disconnect

If you have ever sold or purchased a new home or a condominium, you know the process of transferring ownership can be quick and simple and it can be very difficult and time consuming. The reasons why a closing is easy or difficult can be complicated. For example, the property might be difficult to search and abstract. There might be problems discovered at the last minute, the lender documents or instructions might be late, or the parties show up late. All kinds of things outside of the control of the title insurance company can make for a difficult closing, and yet, when the escrow office or title manager says they are ready to close, when they accept a closing and schedule it, any problems that occur before, during or after the closing are completely the responsibility of the title insurance company and any credit or blame will fall directly on the person managing that office.

One of the reasons why the sole responsibility will fall to the title insurance company is the fact that consumers do not understand the product and the title insurance industry. Today, most residential closings probably occur at a title insurance office. Typically, the buyer will bring a very large check made out to the company conducting the settlement, in this case a title insurance company. Since the check is made out to the title insurance company, it is natural for the consumer to think the title insurance company is charging this very large fee, but in fact, there are at least four major costs associated with closing the sale of the home: there are Realtor fees, lender fees, title insurance company fees, and attorney fees (if one is used). For the first three, if not all four, the fee for service is variable and is based on the cost of the home. For example, listed below are some of the fees paid at the closing on a $200,000.00 home in Illinois in 2010.

Sale Price	200,000
Realtor Fee	12,000
Loan origination	1,653
Closing fee	376
Title insurance	600

At the time of the closing, the homeowner might write a check to a title insurance company for $15,000.00 or more in order to purchase a home, yet only $600.00 in fees are going to the title insurance policy. Compared to the Realtor and lender fees, the title fee is relatively inexpensive, typically about .5% of the value of the property.

Legislation like the Truth in Lending Act (1968) and the Real Estate Settlement Procedures Act (1974) have attempted to make the fees in a settlement fair and the source of those fees understood, but for the average consumer the fees paid at the time of the closing remain a mystery.

In part, the confusion begins with who orders the title work and who pays for the title work. In most states, the buyer pays for a portion of the title fees and yet the seller usually (by custom) chooses the title insurance company. In many cases, the Realtor, lender, or attorney will guide in the selection of the title insurance company but this custom creates a disconnect between the buyer and the title insurance company.

From the title insurance company's perspective, the buyer and seller are one-time customers and the real customer (the repeat business) is the Realtor, loan originator, or real estate attorney. In attorney based title insurance companies, the attorney may represent the buyer or seller in other legal matters, but for the traditional corporate title insurance company, the buyer and seller are an afterthought. This problem can be compounded by the fact that the homeowner seldom sees what the title fee has purchased other than the hour he/she spends in the title office signing papers. Recent changes in the law have been attempts to make the fees more understandable to the consumer. Nonetheless, the public does not understand title insurance. In the future, if a title insurance company is to survive, if the industry is to survive, it will have to close the gap between what a consumer understands and what the agent and industry provides.

Guiding Principle

Consumers do not understand the products and services provided by the title insurance industry.

An Industry in need of Professional Standards

The title insurance is a mature industry, meaning it has been in business over 100 years and it is regulated, both at the federal level and at the state level. Key among the regulations at the federal level was the Real Estate Settlement Procedures Act (RESPA). For example, RESPA made it illegal for a title insurance company to pay a "finder's fee" to a realtor for a title order and then include the cost of that "marketing" in the price of a title policy. For the past two decades, the Department of Housing and Urban Development (HUD), Fanny Mae, Freddie MAC, and the major lenders have influenced and controlled the work of a title insurance company. For example in 2010, HUD changed the settlement form for residential transactions and every title insurance company had to change not only their forms but also the way they processed the HUD form.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB). The mission of the Consumer Financial Protection Bureau is to "make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products." At this point, it is unclear how this new federal entity will affect title insurance companies, however, it is certain to cause change.

To complicate the picture, at the state level, each department of insurance has specific laws restricting the way title work is performed and what can be charged for title insurance. These laws do not supersede Federal law, rather they add additional restrictions and conditions on the way the title business can be conducted in a state. For example, in some states the fees for a settlement, owners policy, and lender policy are regulated and have to be posted. In some states these fees are fixed, in others a company can change its fees with written notice.

As powerful as these state and federal laws and guidelines are, at one level they have done little to shape the way the actual work of a title insurance company is performed. For example, when the new HUD forms and requirements were introduced, there was no industry standard or industry process for addressing the changes. Each underwriter and each agent had to figure out how they would change. Therefore, instead of one response or five, there were thousands. For a mature profession it is surprising there is so little standardization. Perhaps part of the problem is historic. At one time the work performed by a title insurance company was the work of a lawyer, thus, the professional standards were those associated with being an attorney. When corporate title insurance companies emerged in the 1960s and the work was no longer restricted to attorneys, there was no profession or professional group to step in and impose standards on the new title insurance companies. There standards and values were derived from each owner.

When we started consulting in 1991, each state and region had its own regulations, customs, and practices and the only guidelines being discussed were around different interpretations of RESPA. What was most surprising to us was the fact that three companies could be doing business in the same town and yet their work processes, forms, technology, and procedures all could be different, even though the policy they issued looked the same and offered the same assurance. Even within a company, we found the procedures used by different closers were different as were the work processes from one office to the next. Only recently have there been attempts, by the major underwriters, to standardize workflow and technology within their own companies. Unfortunately, efforts to standardize across the major underwriters run the risk of violating anti-trust law or employment law, so little industry standardization exists unless developed and recommended by the American Land Title Association.

Twenty years ago when we started consulting, the title insurance industry appeared to be a local business that was on the brink of undergoing a major upheaval. When we started, there was an open war in real estate to control the customer to get to the front of the real estate transaction channel, meaning to control the placement of the order. The competitors in this war were attorneys, Realtors, lenders, and title insurance companies. Positioned at the end of the channel, the title insurance industry is still being dictated to by all who come before.

When we started consulting, it was thought that the local nature of the business was changing and the title order would eventually be controlled by a small number of regional and national players. At that time fewer and fewer title agents had exclusive underwriting contracts and the big agents were writing policies on more than a dozen national and regional underwriters. This was a boom period when refinance and relaxed lending requirements drove real estate and title insurance companies followed along.

Even during the best years, there were those who argued the bubble would burst, the underwriters would be forced to consolidate and more than half the real estate and title agents would go out of business. To some extent, after 2007, this prediction has come true. Today, over 60 percent of loans are controlled by five banks. Likewise, Fidelity National Financial and First American have acquired many of the smaller underwriters, and fewer title agents and Realtors are in business today. Yet, nearly half of the title business remains for the moment local. The question is what happens when the other shoe drops.

Twenty years ago, it was believed that in the future, each of the major banks would own one of the major title underwriters and all of the background work for commercial and residential transactions would come to be performed overseas and the closing would happen in some electronic or virtual way. Remember all of this speculation was before the internet, e-mail, Google, and Facebook. Today, consolidation is occurring at every level. Some title work is being performed overseas, and some is being performed by artificial intelligence. Today, there are companies who own every aspect of real estate including building, real estate sales, lending, and title insurance. For example, the Title Resource Group (TRG) operates over 70 distinct brand names throughout the United States.

The fact that many title insurance agencies are locally owned has been one of the barriers to changing and standardizing the industry. It also is another reason why we believe leading and managing a title insurance company is still unique. It is unique because it is a business with specialized jobs that are not standardized; jobs that take a long time to learn; jobs that are not taught in high schools or universities; jobs where mistakes that can destroy a company. Increasingly in the United States, there are employment sectors with skilled jobs where the skills are specialized and employees with those skills are hard to find and even harder to let go. The title insurance industry may be one of those sectors.

Employee Training

If you wanted to start a small fine dining restaurant, you could run an advertisement in a local paper and easily find an experienced executive chef (leader/manager) who had been trained on the job in one or more restaurants. You also could find candidates who might have worked in fewer restaurants but who had graduated from a culinary institute or recognized food program. In either case, the candidates, the people you select to interview will have the same basic food / cooking skills and they will have an understanding of managing the business.

Today there are no colleges or professional programs training people to work in the title insurance industry. Even the major underwriters no longer have training departments. Most of the training a title employee receives is on the job and catch as catch can. Unlike becoming a computer programmer there is no standard curriculum, no accredited courses or licenses. To complicate this problem, the major underwriters and large agents are trying to standardize work within their company through technology, but there is no standard for the industry, no common technology.

There are core jobs in the industry, jobs like Title Officer or Escrow Officer, but the experience and time it takes to learn any of the core jobs is debatable. If you ask a title department manager, she might say it takes one to three years to be a searcher and examiner. Learning to be a competent Escrow officer certainly takes several years, and even with years of experience, a searcher or a settlement officer might not be able to work on a commercial file or work at another company.

If you are a cook, the proof is in your work, the quality of your work is immediate, observable, and measurable. If you have ever watched any of the new reality cooking shows on television, you know how easy it is to sort out a good young chief. Give him or her, a knife, and ask him/her to dice one hundred onions or prepare a mirepoix in five minutes. These are basic skills, skills that you can test. No such basics skills tests exist in the title insurance industry because the records, the title plants, the operating systems, the requirements to close a transaction are all different. Even an experienced professional might take several weeks to learn a new system.

Guiding Principle

Title companies have specialized non-standardized jobs.

When you compare being a title professional to being a lawyer or physician, each profession takes years of formal training and requires on the job experience. In each case, the practitioner is a specialist, with a unique set of skills, but the skills acquired by a lawyer or doctor can be applied anywhere in the United States, provided the practitioner becomes licensed. A licensed title examiner might be employable in other states and a licensed Escrow Officer in Texas might work as a closer in Florida or California, but they will have to learn an entire set of new (different) procedures and computer system. In the title business, there is at least one constant, the phrase, "we do not do it that way here."

Management Training

Owners and managers in independent title insurance agencies, especially in non-corporate based agencies, often have technical backgrounds or sales experience with little if any leadership or management training. People who start their company probably worked in another company, so they may have had a manager who serves as a model for their own leadership and management. In some cases, where the company is family owned, a manager may have a father or mother who serves as a role model for leadership and management, but family businesses have their own dimensions to consider.

At least for the manager coming up in a corporate system there are likely to be a few good role models; men and women who understood the work, who were good at managing people, and a few who understood how to run a modern business. In our experience, the owner of an independent title insurance agency probably worked in another title insurance company before starting his/her own, so they too may have had a good role model, but just as likely, they started their own company because they hated being a lawyer, examiner, or closer for someone else. Often, we meet owners/leaders who know <u>what not to do</u> but they are very uncertain <u>what to do</u> because they have never really been a true leader or manager and they lack an adequate model.

Guiding Principle

Owners have little leadership and management training.

We have been in companies with five employees, a president and Chief Executive Officer, a Vice President and Manager of the title department, a Vice President and Manager of the closing department, a Vice President and Manager of the accounting department, and a receptionist. In other words, the company had one employee and four people called executives, three managers without any experience or people to manage. This somewhat comical situation exists in all types of small businesses, but what happens as the business grows?

In our experience, most of the employees hired in a title insurance company are trained to do a specific core function, but they have no training in managing people or performance. Successful leadership and management in a title insurance company depends upon a number of variables including the size of operation, location and market, use of technology, and the abilities and skills of the employees. We believe that learning to effectively lead and manage a title insurance company requires a combination of very specific technical knowledge and sound operational and business experience. Given what is at risk in a title insurance company, not every type of employee will be right and not every style of leadership or management will be right. We believe finding the right path to success in a title insurance company can be guided by adopting a set of leadership and management practices that have been developed and proven within the industry.

TAKE AWAY ACTIVITY

1. What makes your company unique? List those aspects that make your company different from other small businesses.
2. List those properties or features that make your company different from other title insurance companies.
3. Make a list of those instances where you have to lead and those instances where you have to manage.

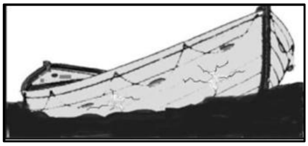
GUIDING PRINCIPLES

CHAPTER 2

THE BUSINESS OF TITLE INSURANCE

1. Title insurance is different from other insurance.
2. The title insurance industry suffers from a disconnect between the product it sells and what the consumer understands about the product and the industry.
3. Title companies are a business with specialized jobs that are not standardized; jobs that take a long time to learn; jobs that are not taught in high schools or universities; they include jobs where mistakes can destroy a company.
4. Managing and leading a title insurance company is different from many other small businesses.
5. The major underwriters and title agents are trying to standardize work through technology without developing a common standard for the industry, a common technology, or common training practices.
6. Owners and managers in title insurance agencies, especially in non-corporate based agencies, typically have technical backgrounds or sales experience and have little if any leadership and management training.

CHAPTER 3



ASSESSING YOUR ORGANIZATION

In this chapter, we explore a process for assessing the strengths and weaknesses of your business and comparing your company to the threats and opportunities that exist in your market. Assessing your organization is a critical first step in determining the right path to your company's success.

Early in our careers as leadership consultants and workshop leaders, we developed a number of leadership and teamwork exercises, one of which we called the lifeboat. In part, the idea for the exercise came from movies like Alfred Hitchcock's "Lifeboat" and "Abandon Ship." Here is the synopsis of "Abandon ship."

> "After their luxury liner is sunk, a group of over twenty survivors take refuge in a life boat made for only nine. Included in the group are an old opera singer, a nuclear physicist, his wife and child, a General, a play-write and his dog, a college professor, a gambler and his mistress, the ship's nurse, and several members of the crew, including the Captain and executive officer. Soon, the captain dies from his injuries. The executive officer must take charge, and as a hurricane approaches, and their food and water run out, he must decide who to put over the side, and who stays and gets a chance at survival."

In our exercise, we select a group of employees who will go in the lifeboat and a group who will observe. The people going into the lifeboat were blindfolded and the guides were given a slip of paper with information to be given to the person in the boat once the exercise began. To create the boat, we lined up a dozen chairs in the shape of a boat, one in the stern with a rudder, then two, a row of three, and then two, and finally one in the bow. Around these chairs, we would scatter all kinds of props found on a real boat; life vests, oars, water, food, rope, compass, and some items found in a survival kit. Some of the items were in plain sight and some were hidden. Outside of the "boat", we had several spots meant to represent people in the water.

Before beginning the exercise the observers would lead a team member into a designated place in the boat or water and hand the person his/her instructions. Once every one was in place, the exercise would begin. As facilitators, we explained the activity was designed to test the groups' leadership and teamwork. The group was told they had been on an ocean cruise liner that had exploded and sank. Each person had been thrown in the water and some had made it to the lifeboat. Their challenge was to survive. Fortunately, this was years before the TV programs like Survivor and Lost, so few of our participants had any experience with what to do in the first hour of a disaster.

In their written instructions, the people in the boat and in the water were given specific behaviors and roles to play. For example, one person was injured but could not talk but could write. One person in the water could not swim, and did not speak English. One person in the boat had been a sailor, another was the radio operator who had sent out a distress signal, and another person had first aid training. In our instructions, some people were told they could reveal their hidden skills and others were told they had to wait until someone specifically asked about the skill.

As you might guess, once the exercise began, we added complexity to the situation by having the boat take on water or having an injured person start screaming. Invariably, the group would organize around getting people out of the water and rowing the boat. What was common to most groups we conducted was one person would stand up and take charge, assigning people to row and steer with very little assessment of the boat, its provisions or the talent and skills of the people in the boat. After a few minutes of this, we would introduce some additional significant problem, like sharks in the water, and ultimately entertaining chaos would follow.

The purpose of the lifeboat was to demonstrate that before a leader establishes goals or sets direction, he/she must assess the health of the business and the talent and skills of its employees. In the lifeboat, the team had everything it needed to survive but most groups are unsuccessful because the person who stood up and took charge failed to assess the situation. For example, when the exercise begins, the lifeboat is taking on water. In addition, the lifeboat has large cracks on the outside of the hull that if patched immediately will not open and take on more water. In the exercise, we allowed five minutes for the team to organize and repair the boat. If they do not bale water or patch the cracks in that time, we would open the cracks and the lifeboat would sink before they could row to safety. Using our business metaphor, the message was before you try to head off in new directions, make sure the business is sound and you have an accurate assessment of your resources. Make sure you repair any weaknesses that might cause you to sink. For example, before you open a new office with an untried manager and new staff, have the new manager and staff work together in your current office.

Guiding Principle

Improve what you have first before heading in a new direction.

In some lifeboat exercises, the survivors would organize into teams: people bailing, caring for the injured, patching the boat, and rowing. For some reason, the survivors wanted to start rowing before they had any idea where they were or where they were going. It was as if any movement was good. This is a common mistake in business. For example, we have worked in companies where their prime source of revenue went away, so the company started to take on any work it could and any clients it could. In Good to Great, Jim Collin's argues that it is important for a company to stick to what it does best. He calls this the hedgehog. In title insurance companies, when refinances were up, companies went after lender clients to the point that 70% or more of their revenue came from refinances. Likewise, when the traditional real estate market disappeared, some title insurance companies went after the foreclosure market.

In each case, there is nothing wrong with going after new business, provided you have the expertise and the existing staff to conduct the business. Unfortunately, some companies were neither staffed correctly nor experienced with these different segments of business, and were put in jeopardy.

We observed this same problem with a company we work with that specialized in customizing high performance General Motors vehicles after market. When their business was down, they started accepting any vehicle including Fords and Chryslers. Unfortunately, not all cars are engineered the same, and working on new unfamiliar vehicles resulted in projects where the company spent more to modify the car than the customer paid for the work.

Coming back to the lifeboat, the idea is stay where you are and improve what you have first before heading off in new directions. This is not to say that a company should not change or should not redefine its self, all we are arguing is make sure you know where you are heading and why before you start.

For example, inside a sealed envelope in a box in the lifeboat, we provided the survivors with a map and a compass. In addition, one of the survivors was secretly told he was the radio operator of the cruise liner and he knows where the ship was when it sank and he knows that a distress call went out before the ship went down. In his instructions, he was told he suffered a head injury and this information cannot be remembered unless he is asked what his job was on the boat. Using this knowledge and the tools in the boat the survivors should try to stay where they are or they could try to row or sail the lifeboat east to a larger group of islands 10 miles away. Any other action would be a waste of resources.

Organizational Review

In our practice, when we start with a company we perform an organizational review. The purpose of the organizational review is to assess the health of the company and the skills and talents of its employees. In many ways, an organization is like a living person. It goes through stages, starting out it is unsure, then with success it begins to develop, it goes through spurts of growth, it socializes, it matures, perhaps it acquires a partner, and at some point it transforms itself or dies. Like a living person, the health of an organization can be assessed and where it is in its growth cycle can be determined.

When we review a company, we like to review everything. We look at the company's financials, we evaluate management, we assess its systems and infrastructure, we interview employees, we observe workflow, we talk to customers, and we sit in on company meetings. When we are finished, we give the owner a written report with observations, findings, and recommendations. In essence, we give the company a physical and we provide the company with a scorecard that can be compared to other title insurance companies. In many cases, our report focuses on what is missing given the company's number of employees or revenue.

For example, if you are a title insurance company with three employees it is not surprising the number of things you do not do when compared to a company of five thousand. However, if you are a company of three employees that makes five million dollars in revenue, there are certain business and accounting practices that will be essential even though you are small.

Typically in corporate title insurance companies, as opposed to law firms with a title insurance agency, there is a relationship between number of employees and revenue. In our experience, a title insurance company will spend between 40 percent and 60 percent of its gross revenue on labor. Therefore, if a company has 10 employees and they earn an average of $40,000 a year, we can estimate that the company will have an annual revenue right around $1,000,000. With revenue of a million dollars and ten employees, there are certain business and corporate practices we expect to see, and others that while desirable would be unusual.

Now suppose we look at a ten-year-old title insurance company with 30 employees and three million dollars of revenue. Given the size of the work force and revenue, we expect this size company to have a clear organizational structure with managers and people performing accounting, human resources, and information technology. At this size we expect some planning, an annual budget and annual goals, but we do not expect formal sales or market plans. There should be established procedures, work processes, and standards in place.

For example, a small company might not have a statement of vision or mission, but it should have a clear idea (written) of what business it is in, why it is in business, and what are its drivers. However, every company regardless of size should have an employee review process.

In our experience, predicting what business practices a company will have is a fool's errand. Unfortunately, many established and large title insurance companies have almost none of the features of a modern corporation; no meetings, no manuals, no marketing, no mission, no plans, no budget, no employee reviews, no structure, and no communication.

Guiding Principle

When you assess a company, review everything.

On the bright side, every once in a while we encounter a business with an owner who wanted to start out right and incorporate many of the good ideas a big company uses. Recently we talked with a young owner of a title insurance company with a small workforce and yet a very big revenue. This company was structured, it had all of the pieces and it was highly automated. By using technology, the company could have high volume and revenue with a very small permanent workforce. The point of these examples is rather than assume how good a company is based only on its lobby or balance sheet; we ask a series of critical questions to assess the state of the company.

In our review, we consider ten dimensions:

1. Leadership and direction.
2. Management ability and practices.
3. Financial performance / health.
4. Operational performance / health.
5. Staffing and employee culture / morale.
6. Customer service and customer satisfaction.
7. Sales and marketing.
8. Infrastructure.
9. Technology.
10. Planning and path.

Assessing Leadership and Direction

If the owner of a company works in the company then she/he will naturally be expected to be the leader even if there are others who are appointed or hired to lead the company.

In title insurance companies, because of the technical aspects of the business, leaders are typically expected to be the most knowledgeable and certainly have the final say in any business decision. Generally, because of the behavioral characteristics of the typical title or escrow person, the employees want structure and procedures and often expect to be told what to do.

Although there are various styles of leadership, in title insurance companies we often encounter owners / leaders who appear to be very egocentric. For example, the company revolves around the owner and he/she has to be in control. Such leaders are often heroes to their customers, but may not be heroes to their employees.

Jim Collins in his groundbreaking book Good-to-Great[1] argues that the leadership quality he found most often in great companies was the steady, humble, servant leader. This is a leader who asks, "What can I do to make you (the employee) successful?" He or she is inspiring, not because of oratory, but often because his/her personal story and accomplishments leave others speechless. Unfortunately in the hundreds of managers and leaders we have met, only a very few exhibit this style of management.

In our company, we often use the DiSC® (Inscape) to describe basic behavioral styles, as well as management and leadership styles. In title insurance agencies, the majority of employees we have encountered have steady or conscientious styles, meaning they are careful people who want structure and procedures at work. When these employees are advanced to management positions they continue to manage from this low key, do everything yourself style. In contrast, in corporate title insurance companies, managers who advance are usually selected because they have direct styles and get results. This more aggressive self-centered style is perfect for moving up the ladder, but as Collin's points out, such egocentric leaders seldom build companies to last.

In the DiSC system, there are eight approaches to leadership. They are Affirming, Commanding, Deliberate, Energizing, Humble, Inclusive, Pioneering, and Resolute. In these terms, the majority of corporate vice presidents we have encountered would be a mix of commanding, resolute, and deliberate. Among the homegrown managers, we have met in title insurance agencies, being deliberate, resolute, and humble may be more common. What we seldom see are managers who are Pioneering and Energizing.

In Chapter 1, we said leadership is about creating change and management is about establishing stability. For the manager of a title department or the manager of an escrow team, the nature of the work,

---

[1] Jim Collins. *Good to Great. New York, HarperCollins, 2001. pp. 12-13.*

the composition of the team, and the demands of customers are more than enough to worry about, but as leaders, these managers must be able to realize the owner's goals, both short and long term. In the ideal world, the owner's goals would determine the people who are selected to lead and manage, but in the title insurance industry, it is often the opposite. The owner has goals that the leadership and management are incapable of enacting.

In our assessment of companies, we start by determining the basic behavioral styles of owners and managers, then we examine the company's short and long-term goals and only then do we assess the workforce and its leadership and management. At this stage, we want to answer the following questions:

1. What are the owner's overall goals?
2. What are the long-term (three to five year) goals for the company?
3. What are the current (annual) goals for the company?
4. For this year, what are the company's financial goals with respect to:
   - Gross income
   - Expenses
   - Pre-tax Profit
   - Profit margin
5. For this year, what are the company's operational goals with respect to:
   - Orders per month
   - Closings per month
   - FTEs
   - Order per FTE
   - Closings per FTE

In talking with owners, we want to determine any plans to retire and what will happen to the company if the owners retire or die. Often times in small businesses, most of these questions are unanswered. For example, we like to determine, what the company will look like in three or five years for the owner(s). We ask if the owner has a vision for the future. In addition, we explore what values are important to the owner and what values are emphasized in the company. Finally, we ask the owners to identify all of the company's strengths and assets along with its deficits and weaknesses. Included in this discussion are any problems, unresolved issues, or needs. Listed below are the types of questions we would ask the owner(s).

Leadership / Owner Questions

1. What is the status of your long-term goals, are they being met?
2. What is the status of your short term/ annual goals, are they being met?
3. When do you plan to retire and what will you want to do with the company?
4. What are current levels of performance for each financial and operational goal (measure)?
5. What is your vision for the future? What vision do you have for the company?
6. What will the company look like in three years from now? Five years?
7. How would you define the company being successful?
8. What are your issues? Are they being solved?
9. What are your needs?
10. How is the company described on the street, its reputation?
11. How would you describe the company's values?
12. What are the company's strengths?
13. What are the company's weaknesses?
14. How are the company's expectations communicated to management and to staff?
15. What are expectations of the executives in the company?
16. How have expectations been communicated?
17. How do you evaluate management performance? What criteria do you use?
18. How do you evaluate the overall performance of the title operations?
19. How do you evaluate the overall performance of the Escrow operations?
20. List each manager strength's and needs
21. How do you manage your executives?
22. How do you manage your managers?
23. How do you manage the title operations?
24. How do you manage the escrow operations?
25. How do you manage the administrative functions?
26. What information is regularly reported to the owners, executives, managers, and employees?
27. How are employees and managers compensated?
28. What operational issues do you feel exist?

In identifying vision and values, strengths and weaknesses it is important to determine what executives and managers believe and then contrast that with what we find. Often times, an owner will say that he values quality and doing it right, and then we learn that getting a commitment out, even an incorrect one is more important than doing it right the first time. Likewise, an owner may say he has the fastest turn time or the best service only to learn the company is solidly in the middle of the pack.

When we get to the operational level of a company, we like to observe the work and talk to managers and the employees they supervise. In observing work, we want to understand how an order moves through the company. If there are different offices, we focus on what procedures are the same and which are different and why. When we talk with employees, these discussions are confidential and best done one on one. Conversations with employees focus on work culture, meaning "the way we do things around here." If a company is so large that it is impractical to talk with all the employees, we will conduct a survey designed to give us a picture of Employee Culture.

Often times the patterns of behavior among employees that have evolved over time will be different from the values expressed by the owners. For example, the owner emphasizes fast service and the title department emphasizes accuracy over speed. When such differences exist, we say that a company is out of alignment. Often in developing a path for a company to follow, we are trying to align the operation with the vision of the company. Alignment occurs when the actions of the managers and the behavior of employees produces results consistent with the values and vision of the leadership.

Guiding Principle

Alignment occurs when managers and employees produce results consistent with values and vision of the company.

In title insurance companies there are at least three distinct groups, title employees, escrow employees, and sales. In smaller companies, the owners do most or all of the sales. As companies increase in size, they will take on a permanent sales staff. In the title business, there is real confusion (lack of separation) between marketing and sales. In part, the problem is the price for a policy cannot be negotiated in most states. Setting and discounting price is one of the critical tools in sales. Without the ability to negotiate price and to sign sales agreements, the average sales person is left with sales strategies like coverage (asking) and building relationship and marketing strategies that promote the company, product quality, and service. Listed below are questions we ask about marketing and sales.

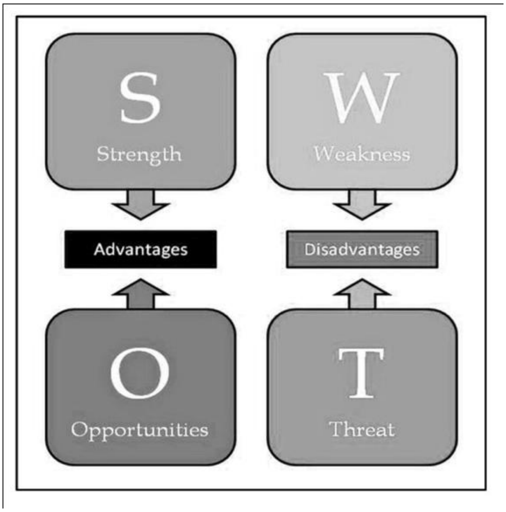
Marketing and Sales Questions

1. How would you like to see the company marketed?
2. What growth do you anticipate in the future?
3. Who are your current customers?
4. Who is your competition?
5. What are your competitors' strengths\weaknesses?
6. What gives you a competitive advantage?
7. How you would rate your operations on service?
8. What are your strategies for the future?
9. What are your issues concerning marketing and business development?
10. What is the marketing and sales approach?
11. Do you have a formal market plan or sales plan?
12. Do you divide your customers and potential customers into groups or segments?
13. What customer groups do you target?
14. For each customer segment do you track\monitor your sales?
15. Do you know who gives you 80% of your business in each customer group?
16. What do you feel makes this company competitive? What competitive advantage do you have?
17. What are your marketing strategies\tactics\sales tactics?
18. How do you evaluate marketing\sales tactics?
19. How much time per week do you spend on marketing\sales?
20. Who else engages in marketing\sales tactics? What do they do? How much time do they spend?
21. What are your biggest challenges regarding sales?
22. What issues do you have with operations that affect sales?

In this chapter, we described the lifeboat exercise. In the lifeboat, employees and managers are cast adrift in a sinking lifeboat. In the boat they have everything they need to survive and they have all the tools necessary for setting direction, yet, in most groups they fail to use those tools and they set off rowing even before they have a clue where they are going. Often, the reason the team is rowing is because whoever "takes charge" is the type of person who believes it is always better to be moving then to stay where you are. However, in an actual lifeboat, like life, sometimes it is smarter to sit and gather your resources and wait for help.

The point of the lifeboat exercise is before you start rowing, the leader of a ship needs to assess his/her situation. What do we know? Where am I? What are our physical assets? What are the strengths and weaknesses of our team? What are potential threats? We called this assessment an organizational review. Conceptually, this analysis could be organized into a SWOT analysis as first described by Albert S. Humphrey.

Whatever we call it, most small business, most title insurance companies need to assess their strengths and weaknesses honestly before adopting a new computer system or opening a new office. In our experience, many title insurance companies do not know where they are headed, and even when they do, they do not have a plan to get there. In a word, they lack direction.



TAKE AWAY ACTIVITY

List your Strengths and Weaknesses and identify any external Threats or Opportunities.

SWOT ANALYSIS

Strength	Weakness
Strength	Weakness
Strength	Weakness
Strength	Weakness
Opportunity	Threat
Opportunity	Threat
Opportunity	Threat
Opportunity	Threat

GUIDING PRINCIPLES

CHAPTER 3

ASSESSING YOUR ORGANIZATION

1. Assessing your organization is a critical first step.
2. Assess your resources and improve what you have first before heading off in a new direction.
3. When you assess your company, review everything: financials; management; systems; infrastructure; talk to customers; talk to employees; observe workflow; sit in on meetings.
4. The leadership quality found most often in great companies is the leader who asks, "What can I do to make you (the employee) successful?"
5. Correct alignment in a company occurs when the actions of the managers and the behavior of the employees produce results that are consistent with values and vision of the leadership.
6. Many title insurance companies (owners, managers, employees) do not know where they are headed and even when they do, they do not have a plan to get there. In a word, they lack direction.