

# DS News



DEFAULT SERVICING » IN PRINT AND ONLINE @ DSNEWS.COM » 04.2017

# DODD-FRANK DOOMED?



Sights are set on the financial reform bill, but what will change and when will it happen? D.C. veterans weigh in.

66

## THE UBER EFFECT

What can the valuation industry learn from this innovative brand?

70

## CHANGING WITH THE TIMES

Practical solutions and research can do wonders for companies in field services.

74

## RAISING A RED FLAG

Servicers are remaining cautious and keeping their guards up when dealing with private-label servicing.



# CHANGING WITH THE TIMES

*Utilizing the research and practical applications of the change-management discipline can streamline new policy implementation for field services companies staying in step with the ever-evolving mortgage industry.*



Humans have changed very little over the past few thousand years. The biology and genetics of our ancestors hundreds of generations in the past differ very little from our makeup today. However, our institutions, technology, and environment have no such anchor to biology. Constant change and the embracing of technology have required our 10,000-year-old minds to act differently and become more nimble than ever before. To this challenge, we apply the discipline of change management.

Change management is a term that refers to any approach to transitioning individuals, teams, and organizations using methods intended to redirect the use of resources, business processes, budget allocations, or other modes of

operation that significantly reshape a company or organization, according to Wikipedia. These types of changes often make headlines, such as when a company introduces a new enterprise resource planning system or revises reporting

relationships. However, most changes are on a smaller scale but are just as impactful if done well—or poorly.

Change management as a discipline focuses on how people and teams are affected by an organizational transition. It deals with many different functions, from behavioral and social sciences to information technology and business solutions. In a project management context, change management may refer to the change control process wherein changes to the scope of a project are formally introduced and approved.

The international bestselling book *Leading Change* by Dr. John Paul Kotter has been



“Field services companies roll out many changes to their inspector and contractor networks and internal users. These changes are either to optimize quality, timeliness, and/or cost or to react to changes in client or investor expectations.”

incredibly influential in the field of change management. A *New York Times* bestselling author, Dr. Kotter is the Konosuke Matsushita Professor of Leadership, Emeritus, at the Harvard Business School and the founder of management consulting firm Kotter International. His work has earned him the reputation of an authority on change in the arenas of business and leadership. In *Leading Change*, Dr. Kotter outlines a practical eight-step process for change management:

- » Establish a sense of urgency.
- » Create the guiding coalition.
- » Develop a vision and strategy.
- » Communicate the change vision.
- » Empower employees for broad-based action.
- » Generate short-term wins.
- » Consolidate gains and produce more change.
- » Anchor new approaches in the culture.

Utilizing both the academic research and practical implementations of this discipline, mortgage field services companies can apply its principles as processes and guidelines to continuously evolve in the ever-changing mortgage servicing industry.

## MANAGING CHANGE

Working with regulators, federal agencies, state and local governments, code officials, clients, and other parties requires continued vigilance and understanding of specific, unique requirements. When a change is made at any of those entities, it manifests itself into the specific actions of field services companies' inspector and contractor networks.

A simple change requiring language modification of a posting at a property requires the coordination of hundreds and at times, thousands of specific actors. Thus, any time field services companies have to implement a change, they must carefully consider the impact and how they manage the evolving expectations.

Field services companies roll out many changes to their inspector and contractor networks and internal users. These changes are either to optimize quality, timeliness, and/or cost or to react to changes in client or investor expectations. Following Dr. Kotter's established process for change management, field services companies need to be prepared for changes by developing a full set of activities, some of which are not always required but are available to the team as needed. These activities are common examples:

- » Work order requirements reflect the new expectation.
- » Policy documents and job aids are updated.
- » Create a video to promote and explain the change.
- » Send a memo to the applicable inspector and/or contractor network documenting the change that serves as both an explanation of why and a user guide (or a link to a user guide).
- » Training sessions are scheduled for internal and external users.
- » Lesson is created and required on learning management systems for employees, inspectors, and contractors.
- » Utilize social media to broadcast the change.
- » Hold a conference call with internal and external participants.
- » Frequently asked questions generated from the call and promotion are sent out as an addendum to the memo.
- » One month after the initial launch, find champions or subject matter experts for the change and write a case study showing impact. Host another call.
- » Hard audit stop in operations for the change.
- » Have a backend top-down-audit-style review and enforcement of change.

- » Three to five months after the initial change, have an after-action review.

One of the biggest property issues field services companies and mortgage servicers face that is difficult to mitigate—mold—can benefit the most from this specific change-management approach.

## MOLD POLICY

Mold, and the source of moisture feeding mold, is a major challenge to field services companies and property preservation. With properties often sitting vacant for many months or years, properly identifying the source and taking effective action is critical. When the new Mortgagee Letter came out for the Federal Housing Administration in February 2016, field services companies had to rethink their historical approach to identifying mold.

Establishing a new mold policy following the change-management procedures should begin with field services companies like Safeguard Properties determining how to describe the new requirements in the work order. The work order will become specific instructions to set the stage for contractors to assess the condition of the property and the resulting actions based on investor or client allowables. The mold policy needs to be specific in detail, but there are base steps:

- » Identify the sources of mold and moisture feeding the growth.
- » Utilize investor/client allowables to address the source.
- » Validate, using a detailed checklist, the potential causes that are not feeding the mold.
- » Do the work to address or bid.

Prior to the new policy, contractors were simply asked to identify mold and the source of the moisture. Far too often, “humidity/lack of circulation” was identified incorrectly as the main cause. A policy change can correct that behavior. Utilizing software like Sharepoint can aid in storing and establishing a method of version control for documents. After developing the policy and work-order requirements, field services companies should update all policy documents to establish a single source of truth for internal and external users.

## CASE STUDY

The following was identified when Safeguard developed its new mold policy utilizing the change-management process as described above:

**Work-order requirements must reflect the new expectation:** After establishing the policy, Safeguard updated all work orders



to specifically outline the requirements, including a 13-point checklist. The work order organized all the client and investor allowables available, provided the contractor with all the information related to remaining funds, and was specific as to the photo-documentation requirements.

**Policy documents and job aids are updated:** The work order lays the basis for policy, but the two are interrelated. Safeguard wrote an official policy and linked it into both its internal and external document-sharing sites.

**Create a video to promote and explain the change:** Using the information in the work order, Safeguard works with contractors and its quality-control staff in the field to write a simple script and create an explanatory video. This video is available on Safeguard's online learning management system. Videos, in addition to other approaches, allow the company to communicate the change in all learning styles—written, verbal, and interactive—to implement the change.

**Send a memo and a user guide:** Safeguard formally documents the policy change via an official memo to the contractor network. This memo is an enhanced policy document with extra photos showing examples it has gathered from the field. Also, the memo links to the videos and job aids, and it provides a schedule of events for additional learning opportunities.

**Training sessions are scheduled for internal and external users:** Partnering with its training department, Safeguard developed a slide deck and comprehensive assessment test to share with internal and external partners. These sessions are hosted in a classroom setting when available and by webinar when not.

**Lesson is created and required on learning management systems for employees, inspectors, and contractors:** After the training session is completed, the content is put into an online learning course for future employees and vendors to utilize.

**Utilize social media to broadcast the change:** Safeguard participates in many social media platforms. Trumpeting the information allows the company to inform all users of the change, including actual contractors in the field, their office staff, and other impacted parties. Safeguard seeks to ensure that it provides the information through as many channels as it can.

**Hold a conference call with internal and external participants:** After contractors have been educated on the new policy, Safeguard understands it is not perfect. It hosts a call that is proctored by a third party to review the material shared, observe, and answer questions.

#### **Frequently asked questions (FAQs) generated from the call and promotion are sent out as an addendum to the memo:**

The conference call generates questions, and Safeguard associates also receive many questions via email. The team that created the mold policy reviews all questions and writes out answers. This FAQ addendum is then published to answer the specific questions asked by the contractor network. As an example, there is a common misconception between a stain-blocker (useful for water stains and graffiti) and a fungicidal paint that includes a stain-blocker. This issue and the brands available were directly addressed in the addendum.

**One month after the initial launch, find champions or subject matter experts:** Safeguard calls on these experts on the change to write a case study showing impact, and then it hosts another call. The field services company did this in a slightly different manner for mold, instead utilizing the quality-control personnel throughout the United States to partner with contractors and share practices on assessment, bids, and treatment methods.

**Hard audit stop in operations for the change:** Every order completed by contractors is subjected to multiple audit processes completed by the field services company. Typically, in the first few weeks of a change, there is a learning curve, and contractors are given reminders and additional resources to adjust to the new policy. In doing so, potential issues can be identified up front and mitigated accordingly.

For mold, there is the potential issue of contractors taking photo documentation of sources that were not the source of moisture poorly defined at the start. Field services companies can, in the beginning, provide an additional order to take the proper photos. However, after the initial phase, work orders are not accepted until the proper photos are provided to prove the absence of moisture penetration.

**Have a backend top-down-audit-style review and enforcement of change:** Safeguard's quality-assurance team performs many backend audits to line up, in sequence, multiple (50 or more) of the same order for an individual vendor. Its other groups typically are looking at singleton events, which may cause a trend to be missed. For mold assessment, Safeguard looked at many orders where mold and sources were either identified or were documented as not causing an issue. This feedback was provided to the company's contractors, and it goes over the specific opportunities for better performance.

**Three to five months after the initial**

“Constant change and innovations in technology have forced businesses to embrace the discipline of change management and focus on how people and teams are affected by an organizational transition.”

**change, have an internal after-action review:** Following the policy change and implementation of the change-management process, it is important for field services companies to hold an internal action review. The goal of these meetings is to determine what needs to improve, what was done well and can be repeated, and finally, if any clarifications or program changes should be made.

For mold, it may be discovered that the number of surfaces with mold varied greatly from home to home and that the expected maximum number of walls with mold occasionally exceeded the previously established maximum. This identified trend can aid in making the policy and work orders encompass a greater number of surfaces with the potential for contracting mold issues.

Constant change and innovations in technology have forced businesses to embrace the discipline of change management and focus on how people and teams are affected by an organizational transition. Dr. Kotter's eight-step process for managing change can be personalized by field services companies, as Safeguard has, to address the continuous changes the servicing industry faces every day.