



# The Need to Embrace Change

The industry needs to embrace **the impetus** for adaptable change in order **to** both recover and **thrive** going forward.

**CONTINUUMS AND ABSOLUTE AXIOMS ARE FUNNY THINGS** in times of turmoil – they frequently succumb to market conditions that render them irrelevant and inadequate. In the ensuing void left from the destruction of our industry truths, a plethora of opinions and theories emerge.

Moreover, was the reality of what we have been unwinding and rebalancing for the last 16 months really unexpected? Did we really think as individuals and organizations that the origination, secondary and securitization processes we utilized and repackaged for a generation would hold up to rigorous market scrutiny, investor auditability and judicial review? Why weren't our corporate dashboards and intelligence (e.g., business, consumer, competitive and financial) pointing ahead to the train wreck on the tracks?

If we have any hope of staving off the swelling legal and political reforms that are amassing on our industry borders, we need to objectively assess not only what went wrong, but where do we go from here. Will another hastily crafted, inept corporate agenda and cost-cutting move really provide the answers we are seeking?



As part of a starting point to move beyond a reconstitution of prior techniques and operational beliefs, we need to recognize that our future may have limited resemblance to the past. To objectively assess an organization in chaos as it undergoes unplanned transition is analogous to laying railroad track just in time in front of a bullet train – the train cannot be stopped and the path of travel is constantly evolving.

Yet for our industry which is comfortable with the manual, "non-value Web" processes of a bygone era, the ability of management teams and operational personnel to properly and critically diagnose their IT, business and knowledge processes will be the first major hurdle in transforming customer products and services. Why? Elementary. If you have limited and myopic experiences with new technologies, practical adoption of standards, integration of competing ideals, and leveraging of cross-industry lessons learned, then most of the baselining efforts (i.e., "as is", "to be" and gap) will return.

Furthermore, our business operations are no longer about linear delivery and one company hiring another with the formation of single-faceted alliances. It's about companies forming partnerships and sharing the resulting gains regardless of whether they are an alliance member or even a competitor. Stated another way, competition in the world markets is "no longer about competitor vs. competitor – it's about orchestrator vs. competitor.

Let's take a very brief look at nine macro-level critical imperative components

that must be compartmentally examined as part of a continuous orchestration improvement culture.

■ **Baselining:** The actions and techniques involved in objectively defining “where you are” is contrary to popular belief not a fill-in-the-blank exercise. Critical components must include the processes for assessment and improvement, dependencies and ancillary touchpoints, technologies, stakeholders and advocates, and of course, measurements, monitoring and improvement mechanisms.

■ **Innovation and Ethics:** Relevant use of innovative solutions and technologies should be continually in the forefront of transformation specialists and their program teams. Implicitly and frequently, the adoption of innovation requires a new combination of operating principles and delivery ethics. Too often, the use of innovation ushers in new behaviors, opportunity and risks that must become SOP before the end-results create concern.

■ **Risks:** With the industry now focused on financial losses and historical “irrational exuberance,” we are losing site of new challenges facing a commoditized marketplace and consumer mistrust of the mortgage operating processes. The greatest risks we face may well reside with the ones within an extensively regulated market underpinned by a prolonged and painfully slow housing recovery.

■ **Processes:** An architectonic issue with our industry has resided with the lack of process innovation using adaptive technologies as a catalyst. Tomorrow’s processes are data driven and compartmentalized for plug-and-play capability or in some terminology as part of reusable rule sets encapsulated with data isolation and workflow.

■ **Standards and Technology:** For nearly a decade we’ve struggled with the efficient definition and deployment of data interoperability exchanges. It has finally reached a tipping point due to the need for

improved efficiency coupled with a realization that the dogmatic siloed operations lead to extensive fraud and buybacks. Technologies from SaaS to Web 2.x to SOA represent merely transitory mechanisms to reach an inter-related series of business results.

■ **People:** Our investment in re-education and revitalization of workforces will become a mandate. Ask yourself, are discrete certifications the only answer or are there more pervasive actions that must be quickly embraced? The pool is deep – the skills are diminishing.

■ **Global Sourcing:** Sourcing people, processes, and results have been major operational failures for the mortgage industry. With single and rudimentary processes sourced, the industry has inappropriately continued to adhere to labor arbitrage as the rationale for

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third-party structured arrangements – offshore providers overtly reinforce this belief. A continuation of these historic practices and principles will be a significant barrier when adopting SME knowledge operations in the future.

■ **Intelligence:** It’s an academically intuitive ideal that in practice has been poorly implemented. Intelligence is not only competitive, it includes cross-operational, financial, political, geographic, and yes, internal business measures to name but a few. How are you adopting and adapting data to meet the changing realities?

■ **Measure, Monitor, Benchmark and Revitalize:** Dashboards can no longer be static and internally focused only. They will be cross-linked with third-party data, competitor statistics, and even regulatory compliance. It’s not

about the technology, it is about what you measure and the value it secures against the results.

Lastly, let us not believe that the regulatory compliance “sleeping wolf” underneath our business table will continue to remain docile – it will not. While some of the recently adopted and proposed guidelines are long overdue, it appears that the political and consumer sentiments will not be appeased by superficial changes in response to the housing and financial crisis created in the new millennium.

In every generation, there arrives a time where business ideals align with national sentiment. 2008 represents such a historic junction for our industry, if we decide to take advantage of it by employing new principles, processes and actions.

However, if we examine the bones of our failures using a historical lens, we might be tempted to believe that this is just a normal cycle of business as usual. That would be a mistake. We may also be inclined to deduce that superficial process change or standard adoption will be a quick answer. Nice first step – but not a panacea or distinguishing solution. Moreover, if we embrace a mindset that more complex knowledge processes can only be implemented by foreign labor, we will have committed a fatal action. You see, continuums are funny things, when you embrace the “truths” along the extremes you are destined to repeat the past – it is just in a different chapter yet to be written. **MT**

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