

# How to Manage IT in a Title Company

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## **Preface**

The purchase of technology in the title industry has always been a source of mystery and confusion to title company owners. There are few senior management title personnel who also carry sufficient IT engineering certifications to develop purchasing options and strategies for their company. For that reason I have developed these basic guidelines to help title company owners gain the insight needed to make intelligent business decisions regarding their technology purchases and maintenance.

## **The Laws of Technology Management**

I have developed a set of technology management laws for title companies. I use them to help my clients maintain a competitive technology infrastructure and keep up with the fast moving pace of technology innovation in the industry.

Law 1 – You don't have to be the expert.

I often find title company owners and managers who feel they have to be experts in technology. This is just not true. Although I am an expert in many areas of technology, I am certainly not the expert in everything. I use consultants and vendors to answer questions and help me create IT plans for my clients. There are many sources for technology expertise to help you with your technology. You don't have to be an IT expert; you just need to know where to go. Use trade magazines and talk to other title company owners to find consultants with title company experience. Your underwriter representatives and software providers will usually have a list of consultants they use for their clients.

Law 2 – Find your baseline.

Before you can build any kind of IT strategy you need to identify and understand your exposure. Exposure describes how much total revenue (both operational and profit) your company loses for every minute your system is down. Exposure needs to be calculated based on the busiest 30 day period within the most recent 12 months of business. This information is what you will base your decisions on regarding how much infrastructure, redundancy, and disaster recovery you invest in for your company. Let's look at an example.

John is a title company owner. During his busiest 30 days in the last 12 months his company had overhead expenses of \$36,000.00 and gross revenue of \$130,000.00, with a net profit after overhead expenses and underwriter fees of \$45,000.00. Using these calculations:

Gross Monthly Revenue = \$130,000  
Gross Daily Revenue = \$130,000 / 20 (working days) = \$6,500 per day  
Gross Hourly Revenue = \$6,500 / 8 (hours) = \$812.50 per hour  
Gross Minute Revenue = \$812.50 / 60 (minutes) = \$13.54 per minute

Net Monthly Profit = \$45,000  
Net Daily Profit = \$45,000 / 20 (working days) = \$2,250 per day  
Net Hourly Profit = \$2,250 / 8 (hours) = \$281.25 per hour  
Net Minute profit = \$281.25 / 60 (minutes) = \$4.69 per minute

Now we know how much gross revenue and net profit John's company loses for every minute, hour, and day, that he is not operational. If a 24 hour disaster recovery IT solution costs \$50,000.00, and the maximum gross revenue he would lose is \$6,500, then \$50,000 is not a good business decision. Inversely, if your company generated \$100,000.00 of revenue per day at 40% profit, 24 hours of downtime could cost you \$100,000.00 of gross revenue and \$40,000.00 of potential profit. In this situation the expense of a completely redundant failover (duplicate servers or a SAN) which can cost \$50,000.00 would be a very intelligent business decision and wise investment of resources. This is just one example of how you can use your baseline to help make an informed business decision.

### Law 3 – Plan your work and work your plan! (5-year IT business plan)

I am constantly amazed by how many title companies do not maintain any kind of business plan, let alone one that includes an IT strategy. Every title company should have a written 5-year IT plan that supports their 5-year business and marketing plans. An IT consultant is extremely helpful with this part of the business strategy since the plan will focus on specific component and software recommendations. Every IT plan should include the following:

1. A complete list of every piece of automation and communication equipment and software in the company. Each item on the list should include a description, manufacturer, vendor, purchase price, warranty at purchase, and projected replacement date.
2. A written purchase and replacement strategy that allows the company to replace main infrastructure components at the end of every 3 years, and non-infrastructure every 5-7 years depending on the type of component and software. When developing these two strategies, remember there are three reasons to replace equipment and software.
  - a. First, most infrastructure-type hardware warranties expire after 3 years. The cost to repair these higher end components is usually more than

the cost of replacing them with newer more advanced equipment and software with a new 3-year warranty.

- b. Second, technology today (both hardware and software) changes so rapidly that trying to remain competitive in your market while relying on a network infrastructure that is more than 3 years old will cost you a significant amount of lost revenue because of latency issues and inability to utilize newer business technologies of your competitors.
  - c. Third, non-infrastructure equipment and software usually has a life cycle of 5 years or better, this includes things such as PC operating systems, LaserJet printers, fax machines, scanners, etc. Keeping these items after 5 years will usually cause a significant loss of revenue using slower and/or outdated technology. After 5 years, there will always be better cutting edge technology that justifies the investment.
3. A written disaster recovery plan covering everything that could happen to make your IT system inoperable, i.e. natural disaster, fire, theft, hard drive failure, power loss, database failure, virus attack, employee tampering (both accidental and purposeful). In the case of these events, an IT professional should be able to read the disaster recovery plan and follow it step by step to return you to an operational state as quickly as possible. Don't forget to test your disaster recovery plan from time to time. A plan that looks great on paper, may not work in reality. Better to find out before the disaster, than after it strikes. Test the plan.
  4. A complete network administrator information binder. This binder should include contact lists for all associated vendors, and all software installed on servers and PC's to include location software, loading instructions, license numbers, etc. It should include router and firewall configuration information, administrator and management credentials, and any other information used to create and/or maintain the network. In essence, a title company owner should be able to hand the manual to any IT professional, and they should be able to find the information they need in the manual to do anything to the network.

#### Law 4 – Know your business.

It is imperative that every title company owner keep up with the current market and related technology trends of title companies nationwide. This can be achieved easily by subscribing to title industry publications and attending workshops, seminars, and conferences designed for the title industry. Talk to your consultants regularly about how other companies are integrating new

technology. Keep an eye on your competition to make sure you don't get blindsided by some latest-and-greatest technology that you could have invested in, but didn't.

Law 5 – Focus on Return on Invested Capital (ROIC) instead of upfront costs.

A common mistake owners make related to technology purchases is the tendency to focus on how much it costs, rather than the return on investment (how much revenue generated by the investment – and how quickly). Some process analysis and baseline numbers can help with this. I like to present the data in a project charter format that shows the cost/benefit of the project, expected impact, time and resources required, and ROIC. Although every company has limitations on how much capital they can invest in any given IT project, they need to consider following a few business decision rules:

1. If you can pay back the investment within 12 months or less, it's a reasonable business decision.
2. If you can pay it back within 24 months, then some considerable thought should be given.
3. Any ROIC for a technology project that takes 2-5 years needs to be seriously weighed against the life cycle costs of the technology. The cost to replace out of warranty equipment and software could easily exceed the cost of the initial investment after 3 years.

Law 6 – Look for cutting edge not bleeding edge.

Bleeding edge technology is the latest and greatest innovations that have not been well tested and integrated into the business industry. These are usually the really neat things that have just come out but no one has really applied them to specific business applications. Cutting edge technology on the other hand, is new technology that has been tested and integrated into business products and services. Using cutting edge technology almost always gets a title company an immediate competitive advantage. And customers get the impression by default that the company with the latest and greatest technology is probably the best company to work with. This is an area where working with a consultant can really help keep your eyes open to what's going on in the market.

Law 7 – Implementation--Hope for the best, Plan for the worst.

When you decide to purchase new technology, always use a professional to execute your IT project. Make sure they provide a project plan that allows you to roll back to your previous network environment in case of a disaster. We always hope that everything will go right, but I have been doing IT projects for more than

20 years and there's no such thing as the "Perfect" execution, only the "Perfect" plan. For instance, brand new hardware sometimes fails; brand new software sometimes causes brand new hardware to fail; sometimes the power goes out; sometimes items aren't delivered on time; and finally, sometimes accidents just happen. By having a roll back plan, you always have a point of operational integrity to go to in the case of a project disaster. Try to start the work beginning close of business Friday and finish before opening of business on Monday. You can also look at doing major projects over holidays. This usually gives you an opportunity to do your installations, conversions, configurations, etc. during a time when there is no impact on productivity. If this can't be done, try and setup a second network to install and test your project before placing it into production.

#### Law 8 – Maintain your system.

All title company must maintain the overall health of their network. The question is how? You have three options:

- a. Hire an IT person full-time. An on-staff IT professional will cost you \$45,000-\$100,000.00 a year. They rarely stay more than 12 months because after they gain experience with your network, they can get a better job somewhere else for more then you can afford to pay them. This is only a good option for very large companies.
- b. As the owner, you may feel that you are more than capable of managing the day to day health and upkeep of your network yourself. Realize, however, that any time you spend on maintenance of the network is non-revenue generating time and therefore costs you not only the loss of man hours spent, but also the opportunity for revenue generating productivity. If we use the example in Law 2, it only takes a couple of hours of your time to lose more than what it would cost to maintain a monthly contract with a vendor.
- c. Enter into a monthly service contract with a professional technology company. These types of contracts are very flexible. I have found that you can get a full-service maintenance contract on all of your technology, including unlimited technical support, for as little as a few thousand dollars per month, depending on the size of your network. This is such an amazing service; I still find it incredible that a title company owner would have a problem with it.

Using a professional technology company to maintain your network (either on-site or remotely) can provide a high level of peace and comfort regarding the health and stability of your network. You can also be assured the latest updates and patches are applied, anti-virus applications are maintained correctly, and there is someone to handle any network or user issues without impacting your productivity as a manager/owner.

Law 9 – After your project is complete always measure your results.

The only way to measure the success or failure of your projected ROIC is to measure the results and impact of a project once it's complete. The results should be measured over a predetermined period of time based on the primary goal of the project. You may choose to measure results every month for a year, or every day for a month, or every month for 3 months, etc. You should also repeat your measurements regularly as part of your IT strategy to keep focused on how technology impacts your business processes and profitability.

## **Conclusion**

Using these laws, any title company owner or manager can develop a comprehensive IT business plan and strategy. You can also use these laws to help make solid business decisions regarding new technology decisions and purchases. The use of IT consultants is very important. They usually charge \$50-\$300 per hour depending on their area and level of expertise. Spending 2-3 hours with an IT professional every quarter to get an idea of what is going on in the world of title technology is great use of an IT consultant. It just could keep you from being run over by a smart IT move by your competition. Or, it could help you make technology investments that enable you to take market share from your competitors. At a minimum, it will ensure your 5-year IT plan reflects your needs now, and in the future.

TDMS has been providing technology consulting services for the title industry for over 8 years. We have qualified consultants that are familiar with most standard title plant software and technology, and can guide you through all your IT decision-making processes. As a subscriber to our website, you can have access to many IT related templates to help you define your baselines and develop your own 5-year IT strategy. We also offer project management, and a full complement of IT services. Call TDMS today. We truly improve the process of doing business.



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