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Getting It Down on Paper

Real Estate Company Needs Formal Management Systems

Business Make-Over

Southern California Companies Learning How to Succeed

By Cydia Zwahlen
SPECIAL TO THE TIMES

Losing her oldest client after 11 years was a bitter reminder of the price Carol Jean "C.J." Gehlke has paid this year to spend time setting up the basic systems and procedures her real estate company has lacked since the beginning.

Sales at her most profitable division are down about 75% as Gehlke and her business partner sacrifice time with clients to painstakingly transfer to the business years of company knowledge stored only in their heads.

The payoff, they hope, will be the sale of the still-profitable **REO Nationwide** to a buyer willing to invest the money needed to take the Newport Beach firm to the next stage of growth.

Aggressive new competitors and expensive new technology have upped the ante for REO and others in the fast-moving business of valuing, marketing and selling troubled residential real estate for banks and other financial companies. Gehlke, the company founder, and co-owner Cindy Handleman say they are proud of their company's hard-won reputation for service, but it has come at the cost of their personal lives, and both feel the business has outgrown their ability to manage it.

"I feel like we're single moms with teenage boys—we don't have the expertise to deal with the next step," said Gehlke, who works 10 to 12 hours a day, eats lunch at her desk and signs her correspondence "Working hard, C.J."

The owners, who characterize their company as the "Neiman Marcus" of their industry, will try to win back the company's original client from an upstart competitor

at some point. For now, they're focused on creating a corporate infrastructure from the ground up.

"To grow the company and to position it for sale, they need to create the systems that will allow someone else to step in and duplicate what they are doing," said business consultant Lynn Marie Hoopingarner of Los Angeles. "To the extent that the business is in their heads, it is much more difficult to sell."

The owners are already spending time reviewing and installing new computer hardware and software, and are working with their accountant to put a decade of financial information into standard formats.

The company's biggest problem is "staffing, staffing, staffing," Gehlke said. She worries about who will fill the owners' shoes if they sell the company, and she struggles with the continuing problem of finding and keeping qualified

Meet the Consultant

Lynn Marie Hoopingarner frequently speaks on business issues and has served as temporary chief operating and financial officer for small corporations and in turnaround situations. She has been president of her own business consulting firm in Los Angeles for five years. She is completing a certification program at the Institute of Management Consultants. Previously she was a manager in Ernst & Young's Entrepreneurial Services Group and worked as a corporate loan officer at Chase Manhattan and Wells Fargo banks.

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subcontractors—sales agents who work on commission to handle property marketing and sales.

“Our main thrust is to sell our company and to keep it healthy until we do, which is all about staffing,” she said.

Gehlke, who ran the company for six years before bringing on a business partner, takes an intensely personal view when it comes to staffing.

She recalled the difficulty she had convincing herself to hire her first assistant despite her “painful” need for help.

“When you are plugging every dime back in and you have to chop off a third for a stranger, that’s hard,” said Gehlke, who owns 55% of the business.

In the beginning, when she paid a salary instead of commission, “I would go nuts hovering around that person,” she said. “If they were taking a break, I wanted to know how long. Every dime was so precious to me.”

It wasn’t until she “was just going to physically collapse” that she risked adding a business partner, Handleman, who worked in the ReMax office where REO Nationwide has its offices.

Gehlke is frustrated that hiring people who meet her standards continues to be time-consuming and difficult and knows that making progress in that area is critical to selling the company.

“The ground work is so stable, the company track record is long, but all we can do is tread water [because] we are constantly trying to keep staffing together,” Gehlke said.

The consultant suggested that the owners expand the pool of potential salespeople by looking outside their industry circle and that they set up procedures and add benefits that will attract and support the entrepreneurial types critical to the company’s success.

Free access to a certified financial planner, for example, is a benefit sure to appeal to almost any commissioned salesperson, Hoopingarner said.

She recommends that a fee-only planner be available on a monthly basis to help put together personal budgets

and teach expense allocation to help ease the seasonal swings in the sales agents’ income. That way, Hoopingarner said, “they don’t get so scared about the down times and can focus on business.”

The trick, Hoopingarner said, is to motivate an entrepreneurial worker in a way that meets that person’s personal needs as well as the company’s goals.

That’s something that has proved elusive for Gehlke, Handleman and many other business owners in similar circumstances.

“We’ve tried to offer our own training,” Gehlke said, “but we don’t have a training division and everyone’s commissioned, so who’s going to want to stop and train someone else?”

The company has had a tough time getting the sales people to take time to learn and use the new computer systems and to comply with new requirements to take notes on the computer during client phone calls.

Unless the owners can explain exactly how the systems and rules benefit the sales agents in addition to the company, the training efforts are bound to fail, Hoopingarner said.

Client information is the lifeblood of any sales organization, and regularly documented conversations can reveal patterns of concern or opportunity, she said. Client files that contain concise summaries of past conversations also make it easier for a co-worker to cover for a sick or vacationing salesperson.

Hoopingarner recommended that the company create a series of training materials and formal training sessions with that in mind and that it include instruction on how to take effective notes. Salespeople need to know they are expected to compile a list of key points, not a verbatim transcript, she said.

Role-playing sessions could be used to show sales agents when to document client conversations and how the agents will directly benefit from using the new systems, Hoopingarner said.

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REO Nationwide founder C.J. Gehlke, center, discusses her business' needs with consultant Lynn Marie Hoopingarner, left and co-owner Cindy Handleman

Formalizing the employee screening process would also help, she said. Essentially, the owners must get their standards down on paper.

The consultant took the broad view when it came to solutions to REO Nationwide's staffing problems. Even the company's marketing materials play a role, she said. "Anybody who reads this material could be a source of referrals to clients or potential staff, but if I don't understand what it is they do and what it is they want, I can't make that referral," she said.

Too much of REO's material speaks only to its industry and it is too long, Hoopingarner said. Developing what

she calls "the elevator talk" is the first step toward changing that.

"Say you are in the Fox Plaza and you happen to run into [billionaire businessman] Marvin avis in the elevator, and there he is with his big, old checkbook. And you have five floors to say, 'Hi, I have the next great bread slicer, and your really want to take a meeting with me, and here's why,'" Hoopingarner said. "If that doesn't roll off your tongue in a totally convincing way, you have some work to do."

Creating an advisory board is another way to expand the company's contact base and receive help for its weakest areas.

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That concise summary should be part of all the company's marketing materials and used at networking meetings and other places where potential clients or future salespeople might be she said.

Gehlke and Handleman probably have six months to a year more of work to get the company in shape for a sale, she said.

"The good news is, they have a good company . . . , a great financial picture, margins that most industries would kill for and a solid industry reputation," Hoopingarner said. To the extent the company can get its new systems in place and build a skilled and motivated staff, "it gives them tremendous bargaining power. It adds dollars to the bottom line in terms of the sale."

This Week's Company Make-Over

- **Name:** REO Nationwide
- **Headquarters:** Newport Beach
- **Type of business:** Residential real estate asset valuation, sales and marketing
- **Status:** Private
- **Owners:** Carol Jean "C.J." Gehlke (founder) and Cindy Handleman
- **Financing:** Minimal initial outlay. Living expenses covered by savings.
- **1996 sales:** \$2 million
- **Employees:** 10 independent contractors
- **Founded:** 1986
- **Customers/clients:** Banc One Mortgage, Countrywide Funding, Provident Capital Management and other banks, institutional investors, finance companies and mortgage loan servicers nationwide

Main Business Problem

Positioning the company for sale by finding and keeping qualified people and setting up formal systems to replace the ones which company information is known only to the owners

Goal

Successful sale of the company

Recommendations

- Create the systems and processes needed to formalize operations so the business can run without the owners, an essential step for further growth and sale of the firm.
- Attract and motivate qualified subcontractors through a new employee training process and more effective screening and by offering the services of a financial planner
- Revamp marketing materials with an eye toward shorter, lingo-free copy, answering the "What's in it for me?" question for potential clients right off the bat and including a brief, clear explanation of the business.
- Explore related business opportunities, in part to show a buyer the potential for growth.
- Form an advisory board of six to eight individuals and operate it in a professional manner.