Change Management

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Executive Summary

Effective Change Management is vital to the servicing organization's ability to adapt to customers needs, industry trends, or other demand forces in such a way that progress is fluid and not derailed by the burden of cumbersome bureaucracy or the destruction of value through reckless implementation. Change Management is the bedrock upon which a compliant organization is built, and an effective program will breed confidence amongst internal and external regulatory compliance stakeholders.

Problem Space

Non-existent or under-developed Change Management programs will most certainly restrict an organization's ability to meet their strategic objectives. Poor Change Management can exist on two levels, both of which I have experienced in different organizations:

1. Too lenient, lack of structure and diligence. Symptoms include:
- Lack of senior leader awareness to change agenda, timing, and results
- Mistakes -driven issues leading to regulatory violations, adverse customer impact, and brand risk
- Wasting money on unproductive expense related to duplicate work efforts

2. Too onerous, slow, un-sophisticated, over-engineered. Symptoms include:
- Slow to market and missed opportunities
- Lack of program credibility and overall frustration in the process
- Lack of stakeholder engagement and control circumvention

How can an organization ensure that it is delivering an excellent service product to its clients and customers in a manner that is complaint, controlled, and frictionless in its delivery?

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Approach

To develop a strong Change Management program, one must start with leadership, specifically understanding their risk appetite as it relates to Operational, Strategic, and Compliance risks. Alignment with the leadership's risk appetite is critical to developing a successful and sustainable change management program.

Then, determine if there is a baseline policy or process document that spells out fundamental concepts and definitions. Has this document been formally reviewed and approved? Do controls exist to support the policy or are they being developed? Is there a policy or process owner?

Finally, it is critical to examine the volume and velocity of problems being experienced by the organization as it relates to change. How many process issues are currently being managed? Are customers complaining? Are product and technology resources being utilized efficiently? This will help you home in on whether the solution will be biased toward loosening or tightening the existing routines.

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Solution

In developing the Change Management program at Best Egg, we were confronted with two diametrically opposed risk drivers. As a loan servicing steward for a state-chartered partner bank, we had very low tolerance for regulatory risk, lest our bank risk sanctions by the FDIC and be compelled to reduce business. At the same time, we were competing in a burgeoning fintech lending industry and, to keep up with our peers, we needed to iterate rapidly.

The solution employed rigidity in policy and procedure as well as controls assurance, while allowing for streamlined, and in some cases accelerated, implementation according to an approved risk-based methodology. Bringing the program to life, we developed transparent, repetitive reporting and monitoring that held process owners accountable to change performance.

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Benefits (Results)

An effective Change Management program is pragmatic and straightforward. Clear process definitions and expectations allowed us to have productive and knowledgeable conversations with our compliance partners and regulators. A smart risk-based approach to due diligence allowed us to control for the most risk while allowing our products teams and developers the space to breathe and iterate on the lower risk, more transactional items. And repetitive and transparent reporting held the right people accountable for results. All of this together resulted in:

- Fewer compliance and audit concerns, less scrutiny
- Lower volumes of production issues
- Fewer customer complaints
- Confidence in financial projections due to throughput of change

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Sustainability

The importance of transparency and accountability cannot be overstated, especially as it relates the fundamental control function of change management. Leadership needs to be transparent and accountable for reinforcing their focus on risk appetite, for instilling the the discipline to monitor and refresh policy and procedure documentation, and for holding their people accountable for change results. The business needs to be accountable for following the process and for providing the leadership team with repetitive monitoring and clear reporting on change throughput, failures, and blockers.

Summary of Key Tenets

- Enterprise risk appetite
- Approved policy with change program definitions and expectations
- Risk-based approach to change review, approval and implementation rigor
- Clear, repetitive reporting and monitoring routines
- Process/change ownership and accountability

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