

By ANDY ZAVOINA, CRCM

Change Management

A SUCCESSFUL AND EFFECTIVE COMPLIANCE MANAGEMENT PROGRAM has many components. One of these is change management. Planning is a vital part of change management and communication is a critical element in planning. Effective communication requires the right tools for the right message and organization. Picture a strong metal chain with each link supporting the next. Your change management program is only as strong as its weakest link. There must be interaction and communication for it to succeed.

As you prepare for change management, look at past and current performance. As this article goes to press, overdraft protection programs are requiring mandatory disclosures. If you need to execute change management procedures for that, you're too late, because the period to manage change is gone, and by now you should be in complete implementation. The lesson here is to plan farther ahead.

So what's next? Consider multifactor authentication (MFA). In this article we'll examine three software programs that may assist us in change management for multifactor authentication.

The first step in this process is to determine whether this change is part of your job. In many banks, multifactor authentication isn't a primary duty related to compliance, but we'll assume here that it is. In some banks it will be, and you may well be auditing it, making it a good example for this article.

As the current "owner" you need to familiarize yourself with MFA. Review the resources available and understand the basic requirements. You need not know how each part will affect your bank and processes, but enough to know that attention is warranted. From this understanding, produce a bullet point list along with a few paragraphs so that senior management and possibly your board will understand

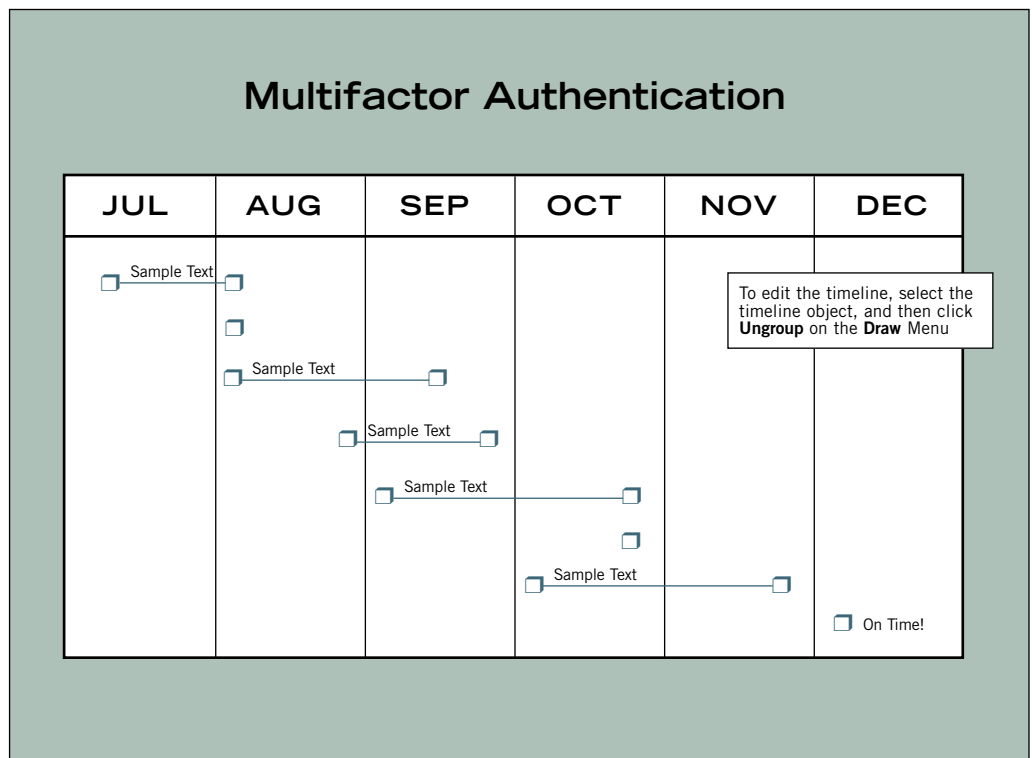
the new requirements, the impact on the bank and customers, the resources needed to comply, and the implications of noncompliance. This could be a simple Microsoft Word document.

You may be asked to present your analysis in PowerPoint. Conversion from Word to PowerPoint is easy. You

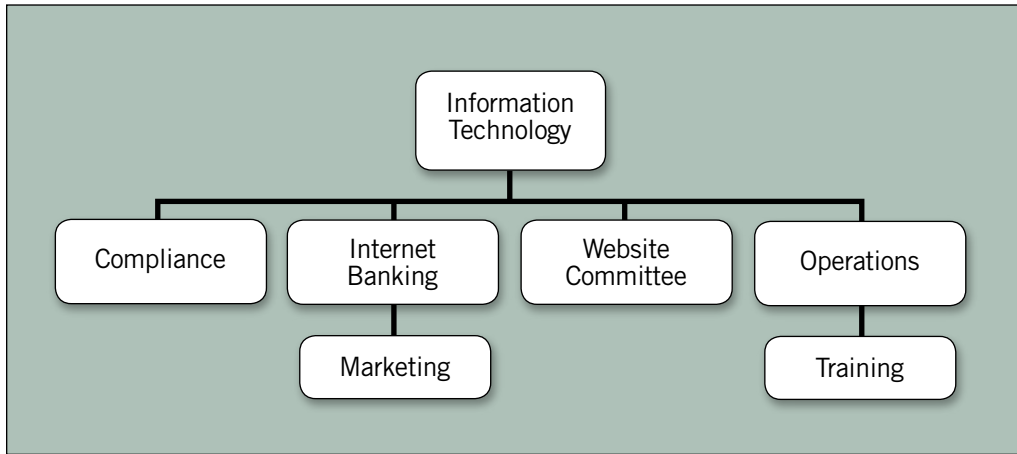
might want to include an organizational chart recommending an implementation team that represents a cross-section of the impacted departments. The team will act as a conduit that brings information to the group, takes requirements back, and manages the work of those departments throughout the implementation process.

You could spend a few hundred dollars on a program dedicated to producing organizational charts, but PowerPoint will suffice for a simple one such as that needed here. In PowerPoint, select "Insert" from the menu bar, then select "Diagram." Double-click the

PowerPoint timeline example:



PowerPoint Organizational Chart example:



organizational chart on the first of six examples. (These instructions are for PowerPoint 2003. Your path may vary based on your version.) I've decided that I'll want one top-level person, and four boxes on the second level for compliance, Internet banking, the Web committee, and operations. Under that, I want boxes for marketing and training. My default scheme has one top-level box and three subordinates. I select the top level and in the "Organizational Chart" menu bar select "Insert Shape" and "Subordinate." This adds a fourth box in my second line. I'll add some customized text in the boxes to replace the "Click to add text" there now. Because so much of this process of overdraft protection will be coding and testing, I will recommend that the information technology department head up the project. They'll appoint an officer to the top-level position who will oversee the process from their side and farm out testing, requests for feedback, focus group meetings, disclosure requirements, and other tasks.

The second line in this organizational chart will consist of compliance, Internet banking, the Web site committee, and operations. I click on the text in each box and change it accordingly. Internet banking will have many key

duties here, including communicating the end result to customers, responding to customers, and providing technical assistance. I want marketing under them to act on their direction as to customer communication. Marketing can also assist with focus groups and demographics for our user base, helping us understand which solution or mix of solutions will work best for us. Under operations, where a lot of the sales and implementation will take place, we want training. We know that customers will arrive in our branches with questions and we want similar "talk-offs" for everyone. To facilitate this, we'll use this group to help determine the common questions and standard answers. In the organizational chart, I select the Internet banking box and go to the organizational chart menu bar, I select from the "Insert Shape" drop down-box "Subordinate" and change the text to "Marketing." I follow the same process after selecting

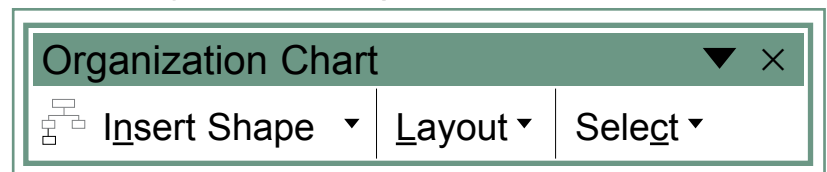
the operations box and add the training box. The recommended organizational chart for the multifactor authentication team is now complete. Specific names can be added later.

A decision tree can be just as easily produced. This requires using the top-level box for a question, and the boxes under it for the actions based on the answer. If you have several products to test to determine whether multifactor authentication is needed, create a decision tree that starts with "Is confidential customer information available here?" "Yes," indicates that MFA is required, while "no" takes you to "May funds transfers be initiated here?" "Yes" takes you to "MFA is required"; "no" takes you to a box where it is not required. Your Web site might be a "no" and Internet banking or telephone banking a "yes" with different levels of MFA depending on the information available or the transactional capabilities of the product. The built-in formatting capabilities make this an easy way to produce and edit the decision tree.

(For the organizational and decision tree charts described above as well as timelines, calendars, and much more, look to the Microsoft Web site (office.microsoft.com) for free templates you can use as starter documents. You can also find free templates for other Microsoft products available from Microsoft and third parties by searching the Internet. This is particularly true of Excel and Word.)

The next steps in this change management task include the following:

PowerPoint Org Chart menu example:



1) Have the change team understand the FFIEC guidance and how your bank is directly affected.

2) Perform your risk assessment. This is the key step in mitigating the risks inherent in your products. This cannot be done by any third-party vendor, though they may assist you and provide workpapers so you do not have to start with a blank sheet of paper.

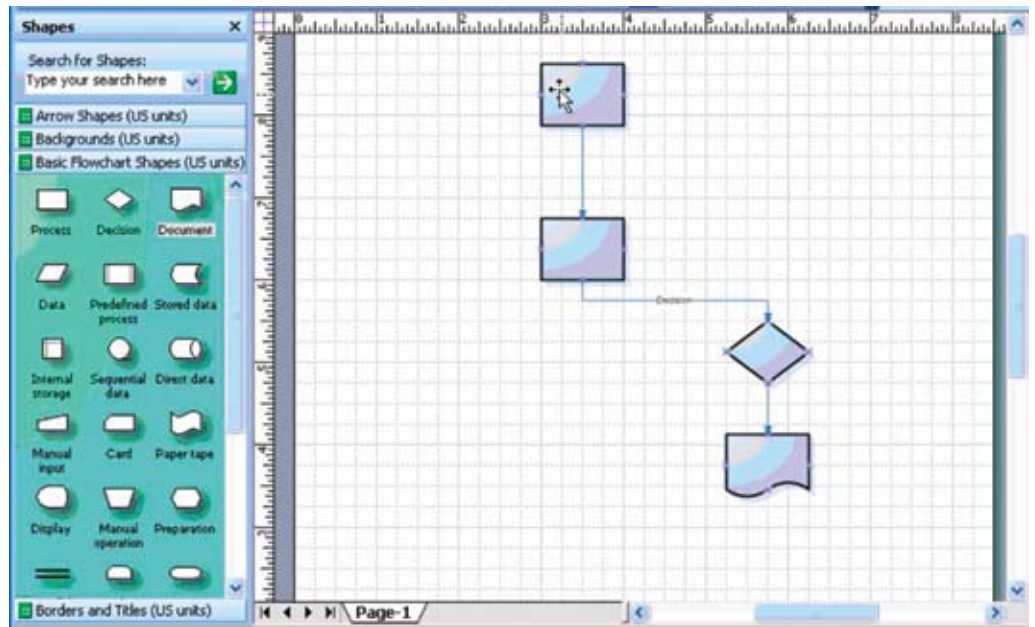
3) Build a model of potential MFA solutions to assess which have the attributes to meet your needs based on risks, costs, and anticipated customer acceptance. Consider the legal implications as well. You can't afford to go "under-board" and create risk for the bank by not doing enough, nor can you go overboard and needlessly spend money and lose customers due to the complexity of your solution.

4) Train staff in all affected areas, from new accounts where the Internet banking and telephone banking products are sold to the Internet banking department to the call center. Staff must understand why you have taken these actions. Some customers may resist additional security measures, but staff must influence them to instead embrace the change as a positive measure.

5) Deliver the change. There may be separate mailings, e-mailings, and across-the-desk sales that deliver information and even devices. The change must be done in steps to avoid a bottleneck that could choke implementation and poison it from the start.

As the plan begins, a timeline will become necessary. Work backward from your known date of required completion; you already know MFA requirements should be in place by the end of 2006. Determine how long it will take to train and to prepare any printed materials (and what those materials will be), what processes you will implement, how long it will take to determine what will be used based on what

Visio screenshot example:



risk factors, and so on. You can also determine which tasks are dependent on another; for example, you can't test one solution until you have identified it and the risks you will mitigate with it. On the hand, some tasks can run concurrently with others; you can print disclosures and collateral material while you are training employees. All of this will be shown in your timeline.

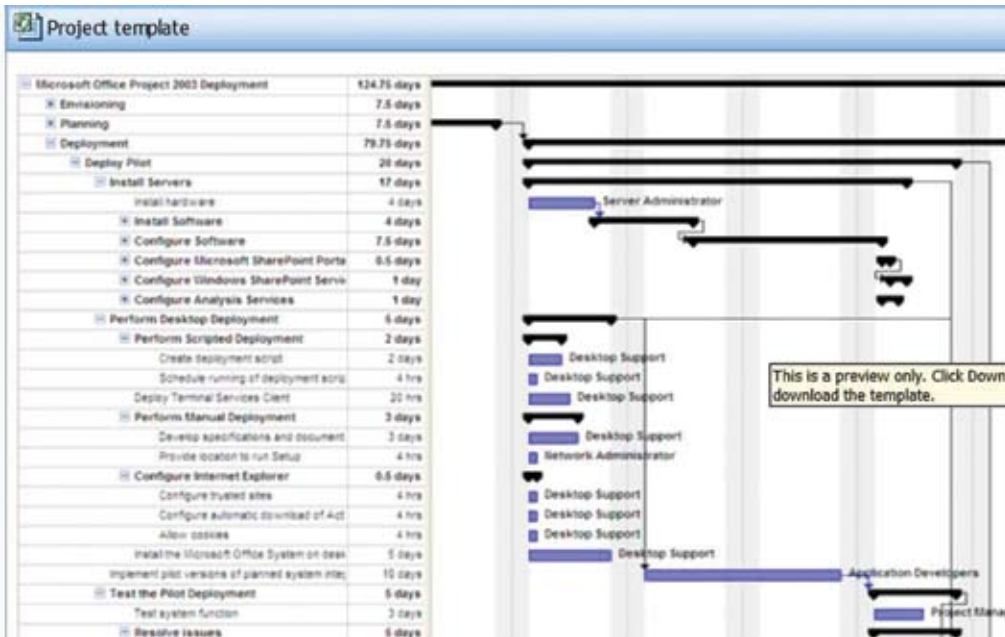
While PowerPoint will let you manually build a timeline, it isn't the easiest way to do it. If you have or will consider a specialty program, look to Microsoft's Visio. The program's learning curve is not too steep for basic use and like most software, it lets you "undo" and reverts to the last saved document if you make mistakes. Visio is all about workflow and process flow. You can use standard icons to depict decisions, documents, displays, manual input, etc., or you can build your own library and add a legend. At one time such flowcharts were most commonly produced and used by software engineers diagramming what was happening in a process, but you can now do this with Visio, which

allows easy adjustment in a process subject to change.

A Visio chart could be used to depict the process described above, illustrating each step with an icon and a line leading you to the next step. This could be as simple as "disclosures printed, drop-shipped to each branch, stored for a release date of 01-01-07, and delivered to customer," or detailed as showing the steps that happen in the system to actually complete the authentication process, which form of input the customer used, which database is accessed by which system to verify the user, and then an algorithmic input verification sequence that gets logged electronically and printed in a suspicious activity report any time three failed access attempts occur.

The next program you may consider is Microsoft Project, which specializes in creating project timelines. The standard edition is an application you'll likely use for everything from change management to determining the time and processes necessary to complete your audit calendar. Project creates a timeline

Microsoft Project screenshot example:



on steroids, making it easy to manage because changes are less tedious. PowerPoint can show a timeline process, but you have to draw it out. In Project, you define the time and it draws the objects for you so you can see what overlap exists and adjust dates accordingly.

You can operate on the cheap with PowerPoint and Excel, using freely available templates, or you can spend more of your software budget on specialized programs that will take you to the next level in your change management process; Microsoft has free trial versions of these programs available online. Visio is

very good for illustrating the processes you'd follow to complete a task. Project shows you how the tasks relate to and depend on one another to complete the overall project. If you have a staff of six people it may be easier to assign duties with the command of "make it so" but in larger and more complex organizations, and with larger and more complex tasks, you may find that the programs described above help you assign tasks, manage them, and visualize the process as it happens. For larger groups this may be the key to helping everyone stay on track and realize which

links in the chain they represent, and how vital they are to the process. **BC**

ABOUT THE AUTHOR

Andy Zavoina, CRCM, is an executive vice president with the Glia Group, best known for its involvement with BankersOnline.com, where he is also a Bankers Online Guru. He joined Gila in 2003.

Mr. Zavoina, who has been in finance and banking for 23 years, was the 2003 recipient of the American Bankers Association's Distinguished Service Award for his involvement and accomplishments in the field of regulatory compliance management. He is a past chairman of the ABA Compliance Executive Committee and served on the ABA Bank Compliance Editorial Advisory Board, and currently serves Compliance Action magazine, and the ABA Compliance School Board. He also served on the Texas Bankers Association's Compliance Committee.

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