

# Managing the People Aspects of Supervisory Change

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# Introduction<sup>1</sup>

## Overview

This Supervisory Guidance Note (“SGN”) is designed help managers in supervisory agencies improve the likelihood of successfully managing changes. The focus of this SGN is on managing the people aspects of change in order to reduce stakeholders’<sup>2</sup> resistance to change and improve support for change. The scope is on the stakeholders’ emotional, behavioural and thinking reaction to change. This approach is referred to as “change management”. Change management as defined here does not consider any broader aspects of thinking or behaviour other than resistance or support for change. There are many other definitions of change management (e.g. change management regarding the testing of new versions of software) used in other situations.

Change management is not a standalone set of actions but should be considered when applying leadership skills covered by other SGNs. There are three key SGNs for which change management may be integral:

- Decision Making – when considering alternatives in the process of making a decision, it can be helpful to know who might resist the implementation, and the reasons for resistance.<sup>3</sup>
- Action Planning Guide – once you know who is resisting and why, you can plan actions to reduce that resistance.<sup>4</sup>
- Implementing an Action Plan – during implementation you need to confirm that resistance is declining as well as deal with new sources of resistance that naturally arise during implementation.<sup>5</sup>

Two other SGNs for which change management could play a significant role are:

- Contingency Planning for Financial Crises – during crises, many additional stakeholders may be impacted, potentially with major emotional and behavioural reactions.<sup>6</sup>
- Organizational Alternatives for Supervisors – there is the potential for major resistance when considering changes which directly impact individuals e.g. who they report to, roles, responsibilities, skills, etc.<sup>7</sup>

This SGN first provides the context of what is driving change in financial services supervision. Then change management is defined and the need for it discussed. Principles and tools are then outlined. The overall change management process is laid out. This overall process is then mapped to specific change management considerations in Decision Making, Action Planning and Implementing an Action Plan.

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<sup>1</sup> This note was prepared by Tom Koor on behalf of Toronto Centre.

<sup>2</sup> Stakeholders are the individuals, groups, organizations or systems that are affected by the change. The stakeholder may perceive the effect as positive or negative. See Toronto Centre Supervisory Guidance Note (SGN) *Action Planning Guide* (cited below) for further discussion of stakeholders.

<sup>3</sup> For more information see [Decision Making \(Toronto Centre Supervisory Guidance Note, October 2015\)](#).

<sup>4</sup> For more information see [Action Planning Guide \(Toronto Centre Supervisory Guidance Note, October 2015\)](#).

<sup>5</sup> For more information see [Implementing an Action Plan \(Toronto Centre Supervisory Guidance Note, August 2015\)](#).

<sup>6</sup> For more information see [Contingency Planning for Bank Resolution and Financial Crises \(Toronto Centre Supervisory Guidance Note, October 2015\)](#).

<sup>7</sup> For more information see [Organizational Alternatives for Supervisors \(Toronto Centre Supervisory Guidance Note, January 2016\)](#).

## What Might Drive Change in Financial Services Supervision?

New or revised supervisory business processes, roles, skills, etc. can be driven by:

- New laws and regulations – these may not have been initiated by the supervisor. They can arise from new international standards, the need to supervise new types of financial institutions (e.g. microinsurance, microfinancing, fintechs), or deal with the implications of new types of technology (e.g. blockchain)
- New or revised supervisory internal policies and strategies (e.g. risk based supervision) which have been initiated by senior supervisory management.
- Other institutional changes initiated for other reasons (e.g. new information technology systems, human resources reforms, etc.).

Changes such as these have the potential to impact:

- Stakeholders within the supervisory agencies;
- Stakeholders within regulated entities; and
- Other stakeholders, including the customers of regulated institutions, safety net providers such as deposit and policyholder protection schemes, and the finance ministry.

## What is Change Management?

The purpose of change management is to decrease individual resistance to change or increase support for regulatory, supervisory, or other changes. This support or resistance may be logical/factual or based on emotion. Change management focuses on modifying the individual's mindset, emotions and behaviour regarding their resistance or support of change. People often have an emotional attachment to the status quo. This support or resistance may be logical/factual or based on emotion. This is where many change management efforts fail – the efforts are focused only on capturing the “minds” of people, rather than the “hearts and minds”. Individuals may need to be persuaded and influenced to change their emotions and behaviour regarding their change support or resistance, because only asking them to change may not be effective. Change management is comprised of principles, tools and processes.<sup>8</sup>

## Why is Change Management Important?

### What Does Change Management Need to Consider?

Change management needs to shift mind-set, emotions and behaviour. This shift is driven by both emotional and logical factors. Research shows that if the individual mind-sets are considered, then 74% of change efforts are successful, while if individual emotions and mindsets are not considered, then only 20% of change efforts succeed.<sup>9</sup>

If you have both emotional and logical support (i.e. hearts and minds), you can have a successful change project. Logic and facts alone are often not enough. There are many situations where emotional arguments will win over logic and facts.

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<sup>8</sup> Adapted from definition in Wikipedia Contributors, “Change Management,” Wikipedia, [https://en.wikipedia.org/wiki/Change\\_management](https://en.wikipedia.org/wiki/Change_management), and The World Bank, Communication for Governance & Accountability Program, “Change Management.” <http://siteresources.worldbank.org/EXTGOVACC/Resources/ChangeManagementweb.pdf>

<sup>9</sup> “The Science of Organizational Transformations,” *McKinsey Survey* (September 2015). Accessed January 2017.

## Why Do Major Projects Often Fail?

People end up not supporting the change and in fact often resisting the change. What causes the resistance? Any aspects of the change which directly impact the individual, and are perceived negatively, will result in resistance. The organization itself might be undergoing major change but that will not cause resistance if the individual is not directly affected. Thus “small” changes impacting individuals have the potential to cause major resistance. This resistance is often related to stress and worry.

Most people prefer stability to the uncertainty associated with change, and see more reasons for “don’t do” rather than “must do”. People look for reasons that activities cannot or should not be done. People don’t carry out activities or the activities are late. The quality and intent of the change is not carried out – people focus on being able to “check off” that they did something, while the underlying objective of the change is not achieved.

The failure may be evident only far after implementation is complete. This is often seen when companies undertake major mergers or acquisitions and the expected revenue increases and cost reductions do not occur, at which point observations are then made that the “company cultures” were not considered, which is fundamentally that the resistance and support of the internal stakeholders’ groups was not assessed and planned for during decision making, planning and implementation.

## Why Do People Resist?

Three types of personal impacts drive individual resistance:

- If day-to-day behaviour needs to change (e.g. processes/procedures, how to interact and work with others inside or outside the organization).
- If the individual’s environment changes (e.g. salary, who they work for, who their colleagues are, the work space, the technology they use).
- If the individual’s perception of their identity, value or their future is threatened (e.g. career path, chance for promotion, perceived status, value of their knowledge, skills and past experience).

People will resist if:

- They perceive the personal impacts as negative. This perception aspect is critical. Leaders and third parties might view a change as minor; however, the individual perception can be quite different.
- They do not know what the personal impact is, but speculate negative impacts.
- They feel they have lost control or cannot influence their future.
- They do not understand or believe “what’s in it for me”.
- They start to lose trust in their leadership, due to the perception that the leadership is not listening to their concerns and issues.

Leaders may find change management difficult because the approach can be very different from their past experience. Past experience may often have focused on using analysis and logic to enable change. Formal authority (i.e. the “Manager” tells people to do things differently) may have been the basis for driving change. If the leader is instead faced with a situation involving resistance and stress, a successful change will require consideration of emotions and perceptions.

## How Does Resistance Manifest Itself?

The reaction to a change is on a spectrum, from enthusiastic support to active resistance. An individual’s reaction can vary, in terms of how they perceive the overall change vs. how they perceive the aspects that

directly impact them. For example, people may agree with a company’s need to restructure in order to survive but may resist the specific changes impacting them.

The following table illustrates some of the behaviours associated with each possible reaction to change.

Active resistance	Passive resistance	Apathy / Compliance	Agreement	Enthusiastic support
Takes deliberate action to resist the change, and cause failure. Spreads destructive rumours.	Voices opposition. Allows failures to occur. Ignores policies.	Shows lack of interest. Has no negative or positive feelings regarding the change. Goes along with the change.	Agrees with the change and helps but with limited positive emotions. Follows policies. Avoids failures.	Champions the change. Spreads positive rumours. Seeks ways to enable success.

View resistance to change, and resisters, as positive. Resistance indicates issues that management should address. Do not blame or judge the people who are resisting.

Resistance, to some aspects of a change, can occur at all levels of an organization. Most people often have some resistance to some aspect of a change. People may not be consciously aware that they are resisting. Remember that silence does not mean enthusiastic support.

Most small changes generate little emotional reaction and thus fall into the “Apathy / Compliance” category. Major or transformational changes have the potential to generate a strong reaction – enthusiastic support or active resistance.

Those leading change need to identify any stakeholders and individuals whose authority and influence combined with their resistance can cause the change to fail. Similarly, to identify any stakeholders and individuals who are critical to enabling success.

## **Integrating Change Management into Broader Decision Making, Action Planning and Implementation**

Typically change management principles, tools and processes will be integrated when applying the skills covered in other SGNs such as those addressing Decision Making, Action Planning and Implementing an Action Plan, rather than as a separate project. The decision making, planning and implementation leaders need to assess the need for change management and only incorporate the principles and tools (discussed later) necessary for success. Rarely would a change project require the use of the full range of principles, tools and processes.

The need for change management is determined by two factors: how significant is the change in terms of how it impacts the individual, and what has been the organization’s past experience with changes which impact the individual. The greater the impact to individuals and the less experience the organization has had with successful change, the greater the need for change management.

The organization’s past experience with changes which impact the individual considers: whether or not these types of changes have occurred before; what the result was (i.e., the degree to which individuals accepted and implemented the changes and the achieved the goals outlined in the action plan); and the approach used to plan and implement these changes. The decision making, planning and implementation leaders need to focus change management principles, tools and processes on those stakeholders whose

support is critical to project success (and whose support is weak) or whose resistance can cause project failure (and whose resistance is known to be significant).

## Approaches to Change Management

### Overview

The change management principles and tools discussed in this SGN are based upon third-party research, which has found them to be effective. There isn't just one single universal change management framework, but rather a holistic assembly designed to address different aspects of change management.

Decision making, action planning and implementation all draw upon these principles and tools. Making decisions which are accepted, preparing plans which are achieved and successfully implemented all require understanding of the potential degree of resistance and way to mitigate resistance.

Much of traditional communications is one way (e.g. sending out emails, documents, PowerPoint presentations, etc.). The intent is to distribute facts, information or knowledge to the stakeholders. There may be some procedures to confirm that the stakeholders have received or understand the content of the communications. This one-way communication may lead to the failure of change management, which should focus on understanding what the stakeholders perceive or feel.

Two-way communications include opinions, perceptions, worries, concerns and questions being communicated to those who are driving change. They in turn process that information and then share it back with stakeholders to build and confirm mutual understanding. The communications back to the stakeholders often also includes facts, information and knowledge as part of the process to address concerns and thus reduce resistance.

Group Change Management is intended to work with larger groups of people, the organization as a whole and even include external stakeholders. One-way communications often form a major part of Group Change Management. It is comprised of a set of eight principles which address emotions and perceptions to some degree. The principles are described in a later section of this note.

Individual Persuasion is targeted at the emotions and behaviours and can be used with small groups and individuals – especially those who are critical to success or can cause the entire change to fail. The four tools (Obtaining Accountability, Gaining Trust, Assessing Acceptance and Four-Box Persuasion) are described in further detail in the Individual Persuasion Section.

Persuading stakeholders to change can be done once there is clarity around the future, understanding of who the stakeholders are, how they are impacted and why they might resist. There are three categories of stakeholders:<sup>10</sup>

- Outward: Consumers; supervised entities and their owners, directors and managers; trade associations; other supervisory agencies; the media.
- Upward: Senior managers and the board of your agency; the legislative bodies in your jurisdiction; the government ministry responsible for the financial sector.
- Inward: Your staff and peers.

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<sup>10</sup> The “OUI” framework from the SGN [Action Planning Guide, p. 3.](#)



All the above principles and tools fit into an overall change management process, described in a following section.

## Group Change Management - Principles

Group Change Management is intended to work with larger groups of people or the organization as a whole. In most change management situations, you would at least apply the following eight principles as a checklist to determine if any changes are required to the project activities. These eight principles can be used as input to planning the current change as well as understanding past changes. They are based on research as to why major changes have succeeded or failed.<sup>11</sup>

These principles start to be used when past changes have not met objectives or the proposed project is different from past changes and is seen to have more potential for resistance. You can use the following principles to review your plan to determine if there are activities and outcomes which address each principle.

- Increase urgency:
  - Management and staff need to understand why they have to change now.
- Build the guiding team:
  - There is a core group with enough authority and commitment to drive the change forward. The core group must include line management, and not be only support functions or external advisors.
- Get the future vision right:
  - A clear, specific and easily understood vision that provides clarity regarding the future. This future vision includes an outline of the transition from the past to the future. Ideally the vision tells a story of the future which is compelling, inspiring, believable and achievable. The stakeholders should be able to see themselves in this future vision. Without a clear picture of the destination, people can easily remain in the status quo.
- Communicate the future vision and ensure that people understand:
  - Everyone should have a common vision of the future.
  - Everyone can see themselves in the future vision.
  - Communications is a two-way process. The dialogue and questioning creates the understanding and buy-in.
- Stakeholders are making decisions based on the future vision, rather than the current situation.
- Achieve short-term wins:
  - Some results are achieved in the short term, which reduces resistance two ways: smaller changes may have less resistance; and successful short-term wins increase credibility of the overall plan while also producing more change champions.
- Don't let up:
  - Don't declare success too early. Maintain the sense of urgency and continue driving change.
- Institutionalize the change and make it part of the culture:
  - Management processes such as leadership development, succession plans and promotions reflect the new future vision.

## Individual Persuasion

Individual Persuasion is focused on the emotions and feelings of stakeholders. There are four sets of individual persuasion tools:

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<sup>11</sup> John Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review* (January 2007).

- **Obtaining Accountability:** appropriate stakeholders (often those actually undergoing change) need to take accountability for results and for the planning and implementation to achieve those results. Without that accountability, there is a high risk of failure.<sup>12</sup>
- **Gaining Trust:** stakeholders need to trust you to enable the process to gain commitment to change and to reduce resistance. Without trust, there is a high likelihood of change failure, because people will not believe the facts, the rationale for the change and the underlying decision making and planning.<sup>13</sup>
- **Assessing Acceptance:** you can now assess where stakeholders are in their support of change and make plans to mitigate their concerns.<sup>13</sup>
- **Four-Box Persuasion<sup>14</sup>:** This tool can be used to help structure one-way communications (PowerPoint, etc.) regarding both facts, stakeholders' concerns and how to address them. In order to create the required information, the tool is first used in two-way communications in order to have dialogue with and gain information from stakeholders as to their perceptions of issues causing resistance and views on mitigating actions.

### Obtaining Accountability Tool

The probability of change success increases when stakeholders take accountability for the implementation plan and to deliver the outcomes. This requires two-way communications. Listening, discussing and gaining input are key – communications is more than just presentations, emails, etc. A key characteristic of successful communications is demonstrating to the stakeholders that they have been listened to.

Type of conversation	Purpose of the conversation
Initiative conversation	<ul style="list-style-type: none"> <li>• Proposing something new – beginning to create the future.</li> <li>• Sharing new ideas, goals, and visions with the people who have to implement them.</li> </ul>
Understanding conversation	<ul style="list-style-type: none"> <li>• Helping people understand the meaning of the change and how it relates to them.</li> <li>• Building awareness and knowledge so that people can see how to participate and support the new future.</li> <li>• Recognize that understanding by itself does not imply acceptance or cause action.</li> </ul>
Performance conversation	<ul style="list-style-type: none"> <li>• Requesting people to make promises regarding specific actions or results.</li> <li>• This is the first step in people accepting accountability to take action to achieve results.</li> </ul>
Closure conversation	<ul style="list-style-type: none"> <li>• Acknowledge the facts – what results have been achieved and what's incomplete.</li> <li>• Acknowledge common complaints.</li> <li>• Apologize for mistakes and misunderstandings.</li> <li>• Amend broken promises.</li> <li>• Appreciate people and recognize contributions.</li> </ul>

<sup>12</sup> Jeffrey Ford and Laurie Ford, *The Four Conversations: Daily Communication That Gets Results* (San Francisco: Berrett-Koehler, 2009).

<sup>13</sup> Robert Jolles, *How to Change Minds: The Art of Influence Without Manipulation* (San Francisco: Berrett-Koehler, 2013).

<sup>14</sup> For more on the Four-Box Persuasion Tool, see page 14 of this SGN, and the SGN *Implementing an Action Plan*, p. 2.

People who have made a promise to do a task and have scheduled a specific time to review results are likely to complete the task 95% of the time.<sup>15</sup> Successful change management requires that the people who are going to change are part of the planning process. They need to develop and own the action plans, as well as review and provide input to the plans. Change management risks failure if people are presented with actions plans and told to execute them. Often people will need assistance preparing their action plans. However, the plan ownership and accountability must still clearly remain with the change leaders.

Nature of the performance conversation	Likelihood to doing task
If someone hears an idea/action.	10%
If someone consciously decides to adopt the idea/action.	25%
If someone decides when they will execute the action.	40%
If someone plans how they will execute the action.	50%
If someone makes a commitment to a third party that they will execute the action.	65%
If someone has a specific appointment to review accountability and results with the third party they made a commitment to.	95%

As implied by the table above, the greater the degree to which people who have to change are involved with planning and implementing the change, the greater the likelihood of success.

## Gaining Trust Tool

### Establish trust

You have to determine what stage people are at in terms of committing to change. Often people have not made the personal decision that they need to change. How do you influence people and enable them to progress through the different stages to make a commitment to change?

Influencing how people think and feel is based on largely on trust. Even if there is an “expert”, that expertise will not persuade people if there is little trust. You create trust with those you are trying to influence by asking open questions and listening. Note that “making statements” does not create trust. This is where many change management efforts fail – the efforts are too focused on one-way communications which only make a series of statements.

There are four steps to gaining trust:

- Ask open questions (i.e. cannot be answered with a “yes” or “no”). Most people want to tell their stories and will do so, to the degree that they are comfortable.
- Actively listen to the response. Think about and understand what the person is saying. See how it relates to the change you want to occur. Demonstrate active listening by “playing back” what you have heard, either in conversation or documentation.
- Ask follow-on questions which will help move the conversation in the direction of enabling understanding of what the change is and why it’s important to change.
- Avoid bringing up or discussing problems the person has. At this point in time you’re trying to build trust. It’s too early to start discussing problems and potential solutions.

<sup>15</sup> Ford and Ford, *The Four Conversations*.

One example of listening is the approach used by some regulators with external stakeholders:

- Publish a consultative document seeking feedback on proposed regulatory changes.
- Ask for formal inputs and suggestions.
- Have meetings with stakeholders to gather their input.
- Publish and share the input received, perhaps with the regulator's assessment and an explanation of the changes made to the originally proposed regulatory change.

### **Understand urgency**

Once you have established trust, then you can move onto urgency. At this point in time people understand there is a problem and they trust you. Urgency means that people believe they need to do something about the problem now.

The trust relationship enables you to ask difficult questions, such as: What will happen if the organization does not change? What will happen if the individual does nothing? This can be a difficult discussion, because the “do nothing” option may result in personal issues. Change to behaviour and mindset often occurs because the issues of the “do nothing” option exceeds the concerns and worries regarding the option to change.

This can be a complex process. People may “hope” that something happens so that they will not have to change. Given that they trust you and believe that you can help them, you can relieve some of the feelings of stress and worry.

### **Commit to change**

By this point in time, people trust you, understand that there is a problem and they understand the urgency to change now. The four steps to take at this point are:

- Reconfirm that the change is better than doing nothing and has benefits. You should be able to answer the “what is in it for me” question that people are thinking about.
- Ask for commitment to action.
- Discuss the logistics of moving forward. This reinforces commitment to change. It is difficult to maintain commitment if someone doesn't know what to do next.
- Reassure people that they have made the right decision. It's very natural for people to immediately question what they have decided. Reassurance maintains that commitment.

### **How to handle objections**

People will object to change, because they fear the change, believe there is no need to change or believe there is no need to hurry. When you hear objections:

- Clarify the objection and seek out any underlying root causes (which may require asking “why” several times).
- Acknowledge that the other person's concerns are valid. If you reject their emotional perception of issues, you destroy trust and increase resistance.
- Respond to the concern, in terms of possible mitigation. You may have to get back to people at a future date.

- Sometimes the objection does not go away or you're not able to respond. The active listening you just employed is often enough create trust and to gain support, even if you are not able to address their concerns.

A discussion about objections can be quite negative. Try to end the discussion by on a positive, forward-looking tone by reminding people of:

- What the change is:
  - What you're trying to change.
  - When to change.
  - Why this change is important.
- The required resources and approach:
  - Who is involved.
  - Where the resources will come from.
  - When the change will get done.

### Assessing Acceptance Tool

You need to know where people are in their thinking in order to make decisions, prepare action plans and monitor action plan implementation. Your tasks could vary significantly. For example, if everyone believes they have an urgent need to make the change quickly versus believing no change at all is required, this will have a big impact on your actions and communications.

### People very naturally are resistant to change

Most people are naturally resistant to change which impacts them personally in some way. The greater the number of changes and the greater the magnitude of each change, the greater the resistance to change. Why do people resist change?

- They fear change.
- They perceive no need for change.
- They are in no hurry to actually change.

You need to understand at what stage people are in their thinking process before you can persuade them to change. You need to get input from people. This can be done by:

- Asking people, individually or in groups/town halls.
- Management meetings may identify concerns that both staff and management have.
- Conducting surveys.

People also want to know that they have been heard and understood. This can be as simple as “playing back” in a conversation what you've heard or be as formal as sharing the results of a survey. This step can reduce resistance by demonstrating to people that they have been heard.

### The six stages of acceptance

When a problem or proposed change is first discussed, various stakeholders may be in very different stages of acceptance, ranging from not believing there is a problem through to being committed to the change in order to resolve a problem which they believe requires immediate action. Thus, you need to understand what stage of acceptance people are at, in order to plan your communications. There are a range of stages.

### *Stage 1 Satisfied with current personal situation*

People are convinced they have no problems (or opportunities) which impact them personally and no need to change. People may believe the broader organization has a problem and that “someone else” needs to change.

### *Stage 2 Acknowledgement*

People admit they have a problem (or opportunity) that requires change. But at the same time, they may state that they do not want to do anything right now. People can be “stuck” in the acknowledgement stage for two reasons:

- They are afraid to change.
- They perceive the problem is small or unimportant, or the problem can be dealt with at a future time (sometimes people hope that someone else will have to deal with the problem in the future). You need to think about the priority of this initiative relative to all the other priorities people have. If this initiative is just one more priority, at the end of a long list of priorities, there is the risk that it is seen as unimportant.

### *Stage 3 Decide to take action*

People have made the decision to take action now. At this point they both acknowledge that the problem (or opportunity) exists and that there is the urgent need to change. The focus here is on short-term action. It is easy to decide to do something in 10 years’ time if nothing must be done in the short term.

### *Stage 4 Investigation*

People look for a solution. The degree to which people can provide input to a solution or help craft the solution increases the probability of success. Often the organization has limited choice regarding the direction but people can still be involved in the Action Planning, which provides a sense of control over the future, reducing resistance and stress.<sup>16</sup>

### *Stage 5 Selection*

People pick a solution. There are two aspects to this:

- The decision as to the direction and future vision (which is often made by the leadership team, board of directors, minister) may not involve many of the stakeholders;
- The creation and agreement on the action plan(s) may have involved many stakeholders.

### *Stage 6 Reconsider*

It is inevitable that some people will regret their decision and regret the solution they picked or supported. People will need to be reminded as to why they decided to take action. This often happens when implementation begins and starts to directly impact stakeholders.

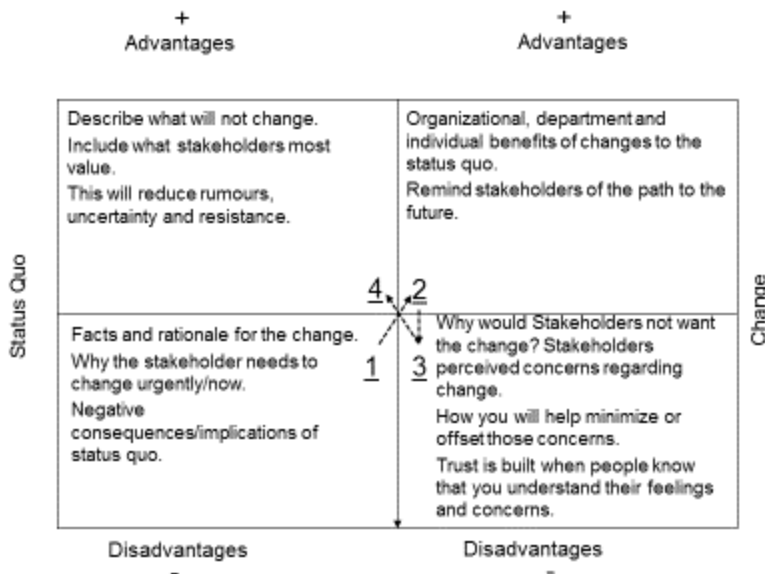
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<sup>16</sup> For more on action planning, see the SGN [Action Planning Guide](#).

## Four-Box Persuasion Tool

Earlier principles and tools have enabled you to build a picture of the future which stakeholders can understand, conduct the two-way communications to understand stakeholders' concerns and reasons for resistance, ensure that you are trusted by the stakeholders and that they have committed to action.

The four-box communications tool assembles the above into four steps, shown in the diagram below. There can be numerous stakeholders (e.g. within the regulator/supervisor, regulated institutions, and even



third parties such as the public) and each may require their own analysis using the four-box tool. This tool can be used to assemble a formal one-way communications package or used to structure dialogue and discussion with stakeholders.

Many change leaders tend to focus on Step 1 (why change) and Step 2 (the benefits of change). Many stakeholders tend to focus on Step 3 (their concerns, worries, uncertainties, reasons not to change, etc.).

### Step 1 Dialogue as to why stakeholders must change

Often people start out being comfortable with the status-quo and resisting any change. This steps helps stakeholders understand why the status quo is unacceptable and the negative consequences of the status quo (i.e. not changing). The dialogue will help you identify the stakeholder concerns and reasons not to change. Ideally, the stakeholders will perceive a compelling reason to change and take personal action.

In addition to the organization's need for change, you'll use facts and examples that resonate with the people who are being asked to change. Focus on down-to-earth examples rather than "conceptual" or "high level". Never focus on issues regarding individual people, but rather the status-quo problems and opportunities.



## **Step 2 Dialogue as to the benefits of change**

This step starts with a clear, easy-to-understand picture of the future, how it's different from today and factual reasons as to why change is required. Accompanying this is an outline of the path to the future. The stakeholders need to be able to see themselves in the future picture.

This combination of the goal and the path can help reduce resistance. For example, if the path shows the future comes about in stages, over time, with involvement along the way, resistance will be lower than if the future change were to occur in one step, in the near term with no consultation.

This dialogue focuses on what the stakeholders perceive as the benefits of change. You are able to paint the picture of organization and department benefits, but the individual stakeholder benefits depend upon what they perceive. This may require extensive discussion to build understanding. This dialogue may also identify additional concerns and reasons for resistance.

## **Step 3 Stakeholder concerns and resistance**

This dialogue is key to building trust. You are able to validate your understanding of stakeholder concerns and reasons for resistance. The demonstration that you want to and are starting to understand the stakeholder needs and concerns is key to building and retaining trust.

You don't need to have all the answers, in fact should not have them all when gathering input. The stakeholders want to feel that they are providing input and influencing the change.

## **Step 4 Dialogue as to what does not change**

You need to confirm what will not change. You are reassuring that you understand what stakeholders perceive as valuable or important. This step helps decrease resistance by reducing rumours and speculation as to "what else" might be changing.

## **Change Management Process**

### **Overview**

The following steps should be considered in most change projects. Small changes may only require reading the list to confirm that there are no significant issues. As you go through this list, consider how any required activities can be included in your Decision Making, Action Planning or Action Plan Implementation.

Some change management activities might be part of a formal Communications Plan, which could be developed to support decisions, planning and implementation. The Communications Plan often focuses on the formal communications processes, such as presentations and announcement meetings, which are often handled by the person normally responsible for Communications. The "softer" aspects of Change Management, such as Individual Persuasion, are integrated with broader project activities.

### **Required depth and breadth of Change Management**

In many cases, the organization will have had significant degrees of success with past changes and there are no major trust or relationship issues. Often the change will only require the use of the Four-Box Persuasion Tool combined with some consideration of the 8 Group Change Management principles, especially:

- Communications as to why the change is important to the organization and the individual.



- Clarity regarding accountability for results and benefits.
- Providing any required training for planning, implementation and ongoing operations.

When there is increased risk of resistance to change or there have been issues regarding the success of past change, some or all of the 8 Group Management Principles can be used to define additional decision making, planning and implementation activities. When there is the risk of major resistance to change and relationship or trust issues, you then may need to deploy both Group Change Management and Individual Persuasion.

There is overlap between Group Change Management and Individual Persuasion. Persuasion tools can be used on large numbers of people and many of the Group Change Management actions can be deployed when dealing with individuals. The determination of the approach to use is done in Step 1B Readiness Assessment, of the Change Management Process.

### Step 1A The Future Vision

This step is done in parallel with Step 1B, the Change Readiness Assessment. Your stakeholders are all the people who are affected by the change. This includes both the people you know will be directly affected by the change as well as people who may either believe or worry that they will be affected by the change. People outside the organization may be stakeholders.

You need to paint a picture of the future. The people affected by the change will need to see themselves in this picture. And they need to understand how the future is different from today. The picture includes aspects of the project e.g. what's in scope (and out of scope), who will and will not be affected, and what the objectives are.

Your future vision should include an outline of the path to the future. The path can be an important method of decreasing resistance and increasing support e.g.:

- A phased approach over time means that the initial resistance will be lower because it will be focused on a smaller change (rather than one large change).
- Assuming the initial phases are successful, there will be more champions of the change and uncertainty and doubts will decrease as short term wins are demonstrated.
- A phased approach provides the opportunity for more two way communications and dialogue along the way, which again reduces resistance.

This needs to be an achievable future or else a situation where there is no option other than to attempt to achieve it. The Change Readiness Assessment in 1B will consider the degree to which the future is achievable and identify any change management issues.

People will want to know priority relative to other projects and ongoing work activities. There will be a limited number of projects that can be undertaken, given the resources and the capabilities of the people – once again, a check to confirm the feasibility of the change.

Recognize that a “perfect” change management solution is not required. Many people may simply “go along with” the change. Focus on what is critical for success – the specific people and groups that need to change and the minimum changes in thinking and behaviour.

This step uses the Group Change Management Principles and concludes with:

- A picture of the future and path to the future.

- Identification of the specific concerns and reasons not to change for each stakeholder – and the implication of this to success. This enables creation of a plan to address concerns.
- Have the core team and champions been identified and are they committed? Note that there may be champions in the regulated institutions as well as the regulator/supervisor.

### Step 1B Change Readiness Assessment

This step is done in parallel with the creation of the future vision of the change set out above. The future vision may be revised as a result of the Change Readiness Assessment. This iterative process between change leaders and stakeholders builds a more achievable vision because the process helps reduce stakeholder resistance and increase support. A vision done in isolation risks failure because the sources and causes of resistance are unknown.

This step focuses on how ready people are for the change, and the degree to which they will support or resist the change. It is helpful to identify who believes nothing needs to be done versus those who understand the need to make the change now.

The questions to consider at this step include:

- How disruptive will the change be to the organization as a whole and to individuals or groups?
- What has been the history of implementation success? Why have people supported, or resisted, changes in the past? What has been the outcome?
- What is the expected resistance from those who will need to change?
- How important is the change to the leaders who need to champion it on an ongoing basis?
- How many other changes will be occurring at the same time? Most people can only absorb or deal with a finite amount of change. There can be other changes in the organization. People may have changes in their personal lives.
- What is the existing stress level?
- Is the change consistent with the culture?
- Are the necessary skills and experience available for action planning and implementation? What training is required? Do internal resources need to be supplemented?
- Are there trust and relationship issues?

The tools used in this step are:

- Where are people at in their acceptance?
- The four-box persuasion tool, to structure information collection and preparation for future communications.

This step concludes with:

- An understanding of the degree to which stakeholders accept the change – and would resist or support the change.
- An understanding of why the stakeholders would resist, including validation by the stakeholders that these are their concerns.
- A determination of what change management principles and tools are needed and to what degree they need to be deployed.

## Step 2 Implementation Planning

At this point you are ready to start with implementation planning. The stakeholders who are critical to success or are able to cause failure must understand the future vision, understand why change is required, believe that action is needed now, and that their key concerns will be addressed.

The questions for you to consider include:

- Are the implementation leaders committed?
- Does the implementation plan contain a clear picture of the future, outlining any changes in thinking and behavior?
  
- Are the initial change management issues identified, prioritized and dealt with by appropriate action plans? A critical component of this is training. In addition to technical training regarding new standards and approaches, training may also include:
  - New ways to have meetings and dialogue with regulated institutions and others.
  - New ways to communicate risk-based judgements, to ensure that stakeholders understand the rationale and analysis that has led to conclusions.
  - New ways to build trust and relationships with stakeholders.
- Is there a process to identify any changes in resistance/support or any new issues during implementation? This is especially important with a phased approach, in which new stakeholders may become engaged over time and must be convinced to support or minimize their resistance to the change.
- Is there a method to confirm that thinking and behaviour have actually changed at the conclusion of implementation?

A key component of the implementation plan is communications:

- Implementation should include ongoing communications of short-term successes, which helps reinforce commitment to the change.
- Each phase of the change should be supported by its own set of communications.
- The plan should also address communications at the end of the change and provide for recognition or celebration of success.
- A critical communication is the initial project announcement.

At this point you can identify specific change management objectives, if required. The tools used in this step are:

- **Obtaining accountability:** to ensure that people make specific commitments to review results with those they made the commitment to.
- **The four-box persuasion tool:** you are building in the mitigating actions from the implementation plan.
- **Assessing acceptance tool:** to confirm that commitment remains and resistance is not increasing.

The implementation plan should also be reviewed using the Group Change Management Principles to identify if there are any overall issues which might lead to failure.

### Step 3 Announcement and Communication

You may be announcing both the future and the project for achieving the future. There may have been earlier communications to help stakeholders understand the need for change and you to understand the readiness for change.

Two-way communications will continue over the course of the project and not be limited to the initial announcement. With a phased approach, there will be an announcement and communication at the start of each phase.

Identify the different stakeholders, both internal and external. In today's internet and social media world, informal communications to a broad community can occur. You need to think about how different stakeholders, especially outside the organization, will perceive the announcement.

What formats will be used for the announcement? For getting feedback? Potential approaches include: memos, emails, telephone conference calls, video conference calls, one-on-one, group meetings, social media (blogs, chat rooms, twitter etc.). Even though today's generation is very social media oriented, face-to-face communications (even via video) is often the most effective.

Who does the communicating? Consider the different approaches. Often there is a "cascade" approach to the announcement e.g.:

- Starting with management.
- Then there can be announcement to the staff.
- Finally, the announcement might be shared externally.
- This can be followed by internal group meetings.
- The change may also require extensive external communications, including one-on-one and group meetings.

When pulling together the communications plan, consider:

- What the desired outcomes of the announcement are: to provide information; to start the understanding as to why the change needs to occur and why it is urgent for the specific stakeholder. The change may look different to each stakeholder e.g. some may feel little impact while others will feel major impact.
- What aspects of the change will generate the most resistance and issues – how can this be addressed in the announcement?
- The lessons learned from past changes – what worked and did not work.
- When will implementation start? How will people be updated about implementation progress?
- What are the immediate next steps?
- What do the stakeholders need to do next?
- How do people get answers to questions?
- Consider having a list of Frequently Asked Questions ("FAQ") and have answers available at the time of the announcement and updated afterwards.

Put in place a process to get feedback regarding the announcement. This can range from questions that management ask through to a comprehensive survey. Social media techniques (blogs, chat rooms, etc.) can also be used to obtain feedback.

There may be individual benefit to supporting the change as well as negative implications if they do not support the change. Think about the degree to which these are publicly communicated, but management also needs an answer to the question “What if I don’t support this”. What does the most senior person, or leadership team, need to do to demonstrate commitment? What actions, behaviours and communications are needed?

The tools used in this step are:

- Four-Box Persuasion: to assemble one-way communications packages (e.g. email, letters, articles, presentations, etc.).
- Acceptance Assessment: broader and more detailed communication may cause additional or different resistance to arise.

This step concludes with: all the stakeholders understanding the future vision, the path to the future, and with reduced resistance because they see that their concerns have been heard and addressed.

#### **Step 4 Execution**

The action plan implementation or decision making activities include the change management activities.<sup>17</sup>

#### **Step 5 Monitoring Implementation**

The focus here is on monitoring change management implementation. Identify any new change management issues or risks regarding the successful achievement of the change management objectives. Take corrective action, if warranted. Often this identification of issues and risks can be done through the existing formal and informal management processes or project processes. The tool used is Acceptance Assessment to identify any additional or increased resistance.

#### **Step 6 Evaluation and Lessons Learned**

At this point the project implementation activities are complete. Assess what has been the actual change in thinking and behaviour and what resistance and support remained at the end of the project.

What are the lessons learned? What worked well and did not work well? What should be repeated next time and what should be done differently next time?

The tool used is Acceptance Assessment. This step concludes with:

- Identification of how resistance may have changed during the change, and what issues, if any, remain at the end of implementation.
- Understanding how effective the Principles and Tools have been and identifying ways to improve for the next change.

Note that although the implementation may be complete, there may still be outstanding issues. Also, the true effectiveness of the implementation in some case may not be clear for some time.

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<sup>17</sup> For more on implementation planning see the SGN [Implementing an Action Plan](#).

## **Integrate into Decision Making, Action Planning and Implementation**

This SGN has so far discussed: what is driving supervisory change; why do people resist change; what is change management; what are change management principles and tools; what is an overall change management process.

But how do you actually carry out change management? The activities set out in this SGN need to be integrated into the tasks and activities set out in the related Decision Making, Action Planning Guide and Implementing an Action Plan SGNs. This section illustrates how to do that.

### **Decision Making SGN**

The decision to make regulatory changes may arise as a result of changes to global standards or decisions outside the control of the regulator. But the path towards the future change often has components within the regulator's influence.

Steps 1A (Future Vision) and 1B (Change Readiness Assessment) comprise part of decision making. Change readiness assessment can provide feedback regarding different options for the future and the path for the future. You may need to weigh the benefits of different options versus the challenges of potential resistance.

The change readiness assessment may be part of a broader readiness assessment, understanding the size and nature of potential changes to processes, procedures, reporting, organization and roles, and information technology.

### **Action Planning Guide SGN**

Step 2 (Implementation Plan) and Step 3 (Announcement and Communication) activities form part of the broader action plan. Many of the formal communication activities may be part of a broader communications plan. Training in the people aspects of change may be part of a broader training plan. You will need to include dialogue and persuasion activities (which may be informal) as part of the overall action plan.

### **Implementing an Action Plan SGN**

Step 4 (Execution) and Step 5 (Monitoring Implementation) are part of implementation activities. New change management issues may arise because: stakeholders get actively involved and start implementing changes; and change moves from a "theoretical discussion" to changes in what people do day-to-day.

Step 6 (Evaluation and Lessons Learned) activities focus on the change management aspects. This evaluation may be part of a broader evaluation regarding the degree to which desired outcomes and objectives have been achieved.

## **Conclusions**

This SGN provides an overview of the change management concepts. Supervisory agency changes (e.g. business processes, roles, skills, etc.) are being driven by: new laws and regulations; new or revised supervisory internal policies and strategies; and other institutional changes (such as information technology changes).

The purpose of change management is to decrease individuals' resistance to change, and increase support. This resistance is often emotional and based upon negative perceptions of how the change might directly

impact them. Resistance is less likely regarding changes which are seen as impacting others or not directly impacting the individual.

This resistance can cause the change to only partly succeed or even fail because the individual may delay or not fully implement the change. Change management is specific to the concerns of each stakeholder: Outward of the supervisory agency (consumers, supervised entities, etc.); Upward (legislative bodies in your jurisdiction, etc.); and Inward (your staff and peers).

The foundation of change management is two-way communications – focused on understanding the stakeholders' concerns and demonstrating that you understand those concerns. There are 8 principles which are the foundation of change management. They focus on ensuring that every stakeholder can understand the future vision (and see themselves in it) and that stakeholders understand and are committed to action starting now.

There are four tools which can be used to enable the achievement of the principles:

- **Obtaining Accountability:** The appropriate stakeholders (often those actually undergoing change) take accountability for achieving the results through their planning and implementation.
- **Gaining Trust:** The stakeholders must trust you. Otherwise they won't believe the facts you tell them nor are they likely to reconsider the concerns which are causing their resistance.
- **Acceptance Assessment:** in order to understand whether or not there is resistance, you need to know (and monitor throughout the change) what stage are people at, ranging from don't believe there is any reason to change through to being committed to action now.
- **Four-box Persuasion:** you need to collect both facts and resistance concerns by listening to stakeholders and then assembling that information into a structured communication message, using each of the four boxes. Persuasion has been occurring throughout the change management process, not just with this tool.

The principles and tools are assembled into a 6-step change process, starting with two parallel steps: The future vision and change readiness assessment. Change management is not a standalone set of activities. Each of the SGNs on Decision Making, Action Planning and Implementing an Action Plan include certain steps that should be part of the change management process.



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- *Decision Making* (October 2015) <https://res.torontocentre.org/guidedocs/DecisionMaking.pdf>
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