



**Transamerica Small Business Capital
Senior Management Change Meeting
Friday, August 20, 1999**

**Our goal is to become the preeminent national leader in SBA lending.
In order to achieve this goal, we need to be both fast and thorough,
flexible and disciplined.**

**We must be able to meet our commitments to our borrowers,
our referral sources
and ourselves.**

**To meet these commitments, we must continually refine our process
and leverage our advantages and position in the marketplace.**

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Senior Management Tasks

Overall, senior management must not only review the details of the change initiatives, such as the production process, but must also review and implement the broader change strategies. We must not neglect the forest for the trees. We are not simply tweaking our process and structure; we are turning to a new direction. Don't forget the big picture and your responsibility to make it clear and true.

1. Begin Listening

Assigned to: All Senior Management

- A. Contact everyone who reports to you (if they're not already in Sr. mgmt) and say something like this:

"Susan has been saying stuff lately about our being better communicators and I figured I ought to check in with you and see how you feel about things in general. You've probably heard about the process improvement project and other changes. Do you have any questions? Anything that you're wondering about? Questions about where we're going as a company or how we're doing? I may not have an answer, but I'll try to get one if I don't"
- B. You may get something off the wall; you may get an earful. Whatever you get, let us know about it.
- C. Even if you get nothing, doing this will:
 1. Let them know that sr. mgmt is on the same page as Susan on this issue.
 2. Sr. mgmt appears more credible. Susan appears more credible. (Remember: it's not enough to be right, you must appear to be right.)
 3. Signal that we are following through on change. It's an easy first win.
- D. *For right now, don't worry about selling the changes. Just listen.*
- E. It should go without saying, but if you have concerns about the changes, don't voice them with anyone outside of senior management. Keep a united front.

2. Identify Snares and Traps—things that are unclear, undone, or just plain wrong—things that could trip us up

Assigned to: All Senior Management

- A. Of the Overall Direction
- B. Of the Loan Production Process (see comments attached)
- C. Of the Organizational Structure
- D. Of the Change Strategies
- E. Of the Communication Component

- 3. Identify Issues**—points of contention about the changes (see attached list)
Assigned to: All Senior Management
- 4. Identify Short-term wins**—goals that we can realistically meet in 90, 120, 180 days
Assigned to: All Senior Management
- 5. Complete Workload Transition Plan and Contingencies**—how work will be assigned after closing offices
Assigned to: Susan, Cyndi, Pat, Robin
- 6. Complete Organizational Overlay**—deciding how personnel may be reassigned
Assigned to: Susan, with help from others
- 7. Design Training Program**—for Roll-out in Atlanta and subsequent sessions
Assigned to: Susan, Steve, Pat, Robin, Karen Dorman, Dave Enquist, Kay Chidester
- 8. Define Policies and Procedures**—manuals for training and reference
Assigned to: TBA
- 9. Identify Phase II changes from recommendations of the task forces and other sources**
Assigned to: TBA
 - A. Clear Performance Standards for Individuals and Teams
 - B. Standards for Credit, Closing and Customer Service
 - C. Procedures for handling interdepartmental issues
- 10. Identify Rules for living with TA** —basic principles to relieve frustration
Assigned to: All Senior Management

Schedule

Item	Due Dates	Start Dates	Done
1. Preliminary Steps			
A. Complete Initial Planning—Done			08/05/99
B. Develop Primary Strategies—Done			08/09/99
C. Draft Talking Points—In Process	08/24/99		
D. Present to Sr. Mgmt—8/13	08/13/99		08/13/99
E. Decide on Theme	08/19/99		
F. Get Logo	08/26/99		
G. Decide on Collateral Materials	08/26/99		
	08/20/99		
2. Follow-up session with Sr. management to discuss details of plan	08/24/99		
3. Second Follow-up with Sr. Management to further discuss change details	08/24/99		
4. Involve Team Leaders			
5. Defining Strategy			
A. Identify Snares and Traps	08/24/99		
B. Identify Issues	08/24/99		
C. Identify Short-term wins	08/24/99		
D. Identify Rules for living with TA	08/24/99		
E. Identify Phase II changes from recommendations of the task forces and other sources	09/10/99		
6. Determine Mechanics			
A. Design Training Program	09/03/99		
B. Define Policies and Procedures	09/10/99		
7. First Wave			
A. Draft Letter to Announce Closings	08/25/99		
B. Complete Workload Transition Plan and Contingencies	08/26/99		
C. Complete Organizational Overlay	08/26/99		
8. Message Development			

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|-----|--|-------------|
| A. | Outline Basic Message | 08/26/99 |
| B. | Draft Copy for Written Message Vehicles | 08/27/99 |
| C. | Design Written Message Vehicles | 09/10/99 |
| 9. | Show to Process Retreat Participants—? | |
| 10. | E-mail to employees to announce mgmt changes | |
| 11. | Resolve any loose ends | |
| 12. | Announce Office Closings | |
| A. | Susan in Denver—9/1 | 09/01/99 |
| B. | Susan in Chicago—9/1 | 09/01/99 |
| C. | Simultaneous Letter from Susan to All Associates—9/1 | 09/01/99 |
| | | 09/03/99 |
| 13. | Send Invitation to Atlanta Meeting | |
| | | 09/16-17/99 |
| 14. | Present to Company (2 day meeting in Atlanta—
announce and train) | |
| 15. | Hold Team meetings in field | |
| 16. | Conduct supplemental training (Teams, Sales, Credit,
Closing, Management) | |
| 17. | Additional Follow-up | |
| 18. | Review Process | |

Issues

1. How can we add sales people without adding back-office support staff to match?
2. Why are we closing Denver/Chicago?
3. What will happen to the people whose positions are being phased out?
4. How will we handle the production coming from Denver and Chicago when the other offices are already taxed?
5. Who will be the Team Leader in Dallas?
6. How will the Dallas production problems be solved?
7. Who will act as Closing/Credit Manager until we find full-time person?
8. Will the new Closing/Credit manager support these changes or will he pull us in his own direction?
9. How will these changes speed production?
10. How is this an improvement?
11. Are these changes evidence of desperation?
12. How will the decision not to securitize affect the future of this company?
13. Are these moves a prelude to centralization? Is centralization under consideration?
14. How will the Aegon merger affect us? Will we have more pressure to perform?
15. What sort of flexibility in broker points and pricing will RAMs have to be competitive?
16. How will these changes establish give us more of a competitive edge in the market?

Comments

From John Diehl:

Re: TSBC Change Communication Plan Summary:

- In section II. Summary of Changes, I would recommend explanation of why changes are warranted, such as on page 3 of your powerpoint presentation under Impetus for Change. In particular, I think all internal and external factors should be explained, including 1999 YTD production being below plan. I'm sure everyone has their own way to understand why changes are needed, but management's identification of the problems and "official" explanation would be helpful to lay it out in the open and allow people to get past the problems and accept that management really understands the situation.
- Also in Summary of Changes, sub E., I would similarly assume the communication will include an explanation of what the "policy review process" will be, as well as how we will "improve feedback from the field". Those are great things to say, but need some substance from the start to enhance the reception by skeptical and frustrated employees.
- Also in Summary of Changes, sub G., it sounds good to say "..to more efficiently distribute production resources", but that it needs much more specific explanation. It sounds like the beginning of a trend that is to continue to consolidate (centralize) is to be most efficient.
- Under section IV. General Strategies/ A. Message Content, to say that "this is ... part of normal growth...." seems disingenuous. Management should take responsibility for the internal problems and admit we were less than effective at addressing solutions. (Again, refer to Impetus for Change from your pp presentation.)
- Also under section IV. General Strategies/ A. Message Content, it would enhance the validity of the statement that as many recommendations from the task forces as possible have been incorporated, by specifically identifying as many task force recommendations as possible.

Re: The loan origination process flowchart: It's excellent, as a start, a tool to illustrate many of the tasks, and especially the inter-relationships of the various functions. I hope we will solicit and incorporate feedback from the field to refine it even more.

A final thought: We have a clear picture of the goal (statement of purpose, and to close quality loans quickly), as well as a new roadmap laying out the process (flowchart), but it feels like we are missing something in between. Those hard to define and harder to create concepts of corporate culture and values, that address how we should conduct ourselves and relate to each other, and how we can expect to be treated by management and recognized and rewarded. There were other important ideas raised in the task groups, such as improved checklists, performance evaluations, etc., that I hope will be incorporated at some point.

To: Susan Streich and Don Ford

From: Cyndi Herring

Date: 8/17/99

Subject: Feedback on Process

After working several days on the manual connected to the new process, I have become even more impressed with the new process than I was at first. Below are bullet points, which contain my views on the process:

- documents will be received up front which will speed up process – Susan’s “TURBO CLOSE”
- using the Loan Facilitator will make the process run smoothly because client will have one contact, Loan Closing Officer (“LCO”) will not be bombarded with borrower’s questions, deals will not be allowed to sit and collect dust !!
- using a Loan Facilitator will ensure that the client has “one” set of information – consistency !!
- Leadership and pride will be restored to the field
- Audit function will become even more important because Production Centers will have autonomy and will need to be monitored heavily
- Loan Facilitator will offer hand holding and make the client think getting an SBA loan is easy !!
- We will be able to provide excellent client service
- We have stop times in the process for proof which will reduce errors
- LCO will have a better understanding on how to proceed when a problem arises
- LCO will not be interrupted as much with the new process which shall result in a faster and more efficient closing
- The new process offers a strong leadership base which will result in a substantial increase in production

From Ashley Nutley:

- See comments written on flowchart

- See possible names for Loan Facilitator

Communication Plan

A. Summary of Changes

1. Clear Description of Closing Process
2. More efficient alignment of closing procedures
3. Establish Regional Production Manager to superintend loan process
4. Use Loan Facilitator to improve customer service, to reduce burden on RAMs, to add continuity to loan production
5. Create policy review process to improve feedback from the field and level out policy and procedure changes
6. Realign management roles to focus on production, with renewed emphasis on portfolio management, loan sale and file audit.
7. Phase out production centers in Denver and Chicago to more efficiently distribute production resources.

B. Statement of Purpose

1. Our goal is to become the preeminent national leader in SBA lending. In order to achieve this goal, we need to be both fast and thorough, both flexible and disciplined. We must be able to meet our commitments to our borrowers, our referral sources and ourselves. To meet these commitments, we must continually refine our process and leverage our advantages and position in the marketplace.

C. Goals of Campaign

1. Near Term
 - i. Create a favorable reception for the new loan process
 - ii. Implement the new process in production centers
 - iii. Minimize collateral damage as a result of the change—losses in productivity, turn-over, etc.
 - iv. Establish better communication across the organization
2. Long Term
 - i. Reestablish a corporate identity that will support further change in the future.
 - ii. Create an environment of continuous improvement

D. General Strategies

1. Message Content

- i. Basic Perspective
 - a. Position this change as:
 - 1) a beginning of change—not a final version.
 - i) The initial change will take 60-90 days.
 - ii) We must plan for continuous change from now on.
 - 2) part of normal growth, not a knee-jerk reaction (mistakes are part of growth)
 - 3) an affirmative statement of purpose, not negative desperate measures.
 - 4) a commitment from management to the production staff to give them the tools, structure and resources they need to excel at their jobs and be proud of being a part of this effort.

- b. Key words:
 - 1) Growth
 - 2) Opportunity
 - 3) Evolution
 - 4) promise, commitment
 - 5) kaizen, “Continuous improvement”
- c. Themes
 - 1) Timing
 - 2) Connection
 - 3) Value
 - 4) Service
 - 5) Leverage—do the most with the least
- ii. Take responsibility for past errors.
- iii. Separate unpleasant changes from other initiatives
- iv. Plan for some short-term wins
 - a. Necessary to gain momentum
 - b. Necessary to validate TA sponsorship
 - c. Use change coalition to develop and execute
- v. Pull-in rank and file support. Incorporate as many recommendations from the task forces as possible and acknowledge that they are from the task forces.
- vi. Incorporate communication changes into package of change initiatives.
 - a. Change manager to insure “lavish communications” during change period.
 - b. Formal 90-day review of initial phase measures by all affected associates.
 - c. Deliberate survey of field operations during first 90 days to gain additional feedback—to be coordinated by change manager in concert with sr. Management.
- vii. Develop an Identity
 - a. Don’t stop at industry standards—do what is best for us to excel given our position, character and resources.
 - b. Leverage existing assets—be best at what we’re best at—don’t try to be someone else.
 - c. Train management first and then all employees in the importance of this identity.
 - d. Future CAO must be assimilated into this identity.
- viii. Develop list of key strategies for sound relationship with parent company.
- ix. Postpone more extensive changes until after succeeding in short term wins.
 - a. e.g. Incentive plans, performance reviews, etc.
 - b. We cannot send a consistent message if these items are out of line with our direction. Granted, we have no leverage to change them now, but we must gain greater control over these once we haven proven ourselves.

2. *Method*

- i. Prepare for disciplined communication—routine, wide and deep. Set aside time for enough communication to overcome the inertia of our present direction.
- ii. Prepare for visible follow-through
- iii. Center leadership in President: “The buck stops here” approach.
- iv. Develop a change coalition—perhaps involving different tiers:
 - a. Senior Management—the primary group responsible for disseminating change messages
 - b. Production Team Leaders—also responsible for disseminating change messages to production teams
 - c. Planning Retreat Participants—creating front-line buy-in for change
- v. Develop custom messages for new hires vs. Veterans
- vi. Designate change manager to lead change
 - a. Duties
 - 1) Facilitate change meetings
 - 2) Work closely with President to coordinate change events
 - 3) Direct Sr. Management and external resources to meet change targets
 - 4) To keep change on track

E. *Message Vehicles*

1. Main Statement
 - i. Introduction
 - ii. Statement of corporate purpose
 - iii. History of Company and change
 - iv. Overview of Change
 - v. Reasons for Change
 - a. Internal
 - b. External
 - vi. Significance of Change for Company and Individuals
 - vii. Description of Redefined Process
 - viii. Description of Job Functions
 - ix. Next Steps
 - x. FAQ
2. Standards for Credit, Closing and Customer Service
3. Policy Statements
4. Flowchart
5. Game?
6. Meetings
7. Talking Points
8. Checklist
9. Collateral Materials
10. Training
 - i. Teams
 - ii. Closers
 - iii. Managers

Recommendations from Task Forces that will be implemented

(These are based on the exact recommendations. They are not a comprehensive description of the planned changes.)

1. Team Leader

- A. Team Leader to review loan docs that others have prepared—“another pair of eyes”
- B. Team Leader to have authority to make changes after approval within his/her credit authority
- C. Team Leader assigns deals to closers, sets and monitors timetable

2. Performance Review and Training

- A. Clear performance measures for individuals and teams reviewed periodically through the year
- B. Internal and External Training for Credit and Closing
- C. Post-Closing File Review
- D. Standardized format for both Post-Closing and Post-Approval Review
- E. Updated Procedures Manual for Credit and Closing

3. Communication

- A. Improved Communication—specifically of Task Force results
- B. Standardized Checklists for Underwriting and Closing
- C. Tracking tool in ELISa for appraisers, EPA company, key dates associated with these
- D. Standard Approval Conditions in ELISa that can be easily reviewed by closers
- E. Better communication with borrower, esp. improved presentation of commitment letter to borrower