Understanding and Managing the Risk of Change

Practical essence of Change Management

Change Management involves:

- **understanding** and;
- **controlling** the exposure to hazards such that overall risk to the business is handled in an efficient and effective manner.

Change Management supports business adaptation in several ways:

- **First**, effective Change Management offers a **standardized method** that efficiently **evaluates** the potential **positive and negative aspects** of change.
- **Second**, Change Management ensures that all changes are **recorded**, **evaluated**, **properly planned**, and **accounted for**..
- **Finally**, Change Management minimises the **disruptions** often associated with change at all levels.

The risk of change often avails itself in five ways:

- The risk of **unauthorised** and **properly** assessed changes,
- The risk of a **low change success rate**,
- The risk of **high numbers of emergency changes**,
- The risk of **significant project delays**.

Seven questions must be answered about every change:

- **Who** raised the change?
- What is the **reason** for the change?
- What is the **return** required from the change?
- What are the **risks** involved in the change?
- What **resources** are required to deliver the change?
- Who is **responsible** for the build, test, and implementation of the change?
- What is the **relationship** between this change and other changes?

Effective Change Management provides the organization with the right amount of **time** and **expertise** to properly balance the **risk** and **reward** of change.

For example, assembling a **Change Advisory Board (CAB)**, composed of membership from both the technical and business parts of the organization.

The purpose of a CAB is to mitigate the various risks associated with change by having **technical** and **business representatives** review and assess the various aspects of changes.

Ideally, **scheduled changes** are circulated to CAB members prior to the full meeting to allow enough time to conduct a thorough review.

Thus, the CAB is focused on mitigating risk by providing a formal mechanism to ensure that:

- **the right expertise is available, and;**
- **the right amount of time is taken to review planned changes.**

Architecture can be thought of as a set of shared decisions about **policies**, **principles**, **rules**, and **common approaches** that organizations follow.

Architecture must serve the **organization's mission**!!!!

A formal Change Management process effectively **reviews**, **assesses**, **authorises**, and **manages** changes.

Positioning change management

	Costs	Risks
Project level	Project delays Missed milestones Budget overruns Rework required or design Loss of work by project team	Resistance Project put on hold Resources not made available Obstacles appear unexpectedly Project fails to deliver results Project is fully abandoned
Organisational level	Productivity declines Loss of valued employees Reduced quality of work	Impact on customers Impact on suppliers Moral declines Legacy of failed change Stress, confusion, fatigue

If the change is not implemented!!!!

Costs:

- Lost investment made in the project
- Lost opportunity to have invested in other projects

Risks:

- Expenses not reduced
- Efficiencies not gained
- Revenue not increased
- Market share not captured

What is the Return on Investment (ROI) of Change Management?

There are studies that discuss the ROI of a Change Management process.

One such study, conducted by McKinsey found that there was a common denominator to the success of a project.

That common denominator was shown to be the **quality of the organization's approach** to Change Management.

The McKinsey study found **common traits** throughout the organizations that received the **highest ROI**. These traits include:

- **Clear** and **effective** follow-through by senior executives,
- All employees clearly **involved** and **communicated** with in the context of change,
- **Clear boundaries** and **responsibilities** throughout the organization,
- Change activities were **communicated**, **understood**, and **accepted** throughout the organization.

PROSCI

ADKAR is a research-based, individual change model that represents the five milestones an individual must achieve in order to change successfully.

A – Awareness of the need for change
D – Desire to support the change
K – Knowledge of how to change
A – Ability to demonstrate new skills and behaviours
R – Reinforcement to make the change stick

A study by PricewaterhouseCoopers, which involved 200 companies, demonstrated the **positive effects of high-quality** Change Management.

One conclusion of the study was that those organizations that had the **most mature** Change Management processes tended to see the **highest rate of project success**.

However, according to Prosci's ROI of Change Management Model, there are three factors that contribute to the potential variance in ROI.

These factors are **speed of adoption**, **ultimate utilization**, and **proficiency**.

Speed of adoption refers to **how quickly** the organization begins using the **new functionality** implemented through a change.

Organizations are faced with both **expected** and **actual speeds** of adoption of change functionality.

Prosci claims that the actual ROI of a change is directly affected by **how well** a change is managed.

This means that changes that are communicated better and include any requisite preparation and training will tend to contribute to higher ROI.

2. Ultimate utilization refers to the long-term percentage of employees **who will use** whatever functionality was delivered by the change.

Organizations deal with an **expected ultimate utilization**, which is often 100%, and an **actual ultimate utilization**, which is often much less than the expected ultimate utilization.

Ideally the expected ultimate utilization and actual ultimate utilization percentages are close.

The closer these percentages are, the higher the ROI of Change Management will be.

3. Proficiency refers to **how effectively** a change is **implemented**.

Organizations have an expected level of proficiency for every change, as well as an actual proficiency. The closer together these two values are, the **higher the overall** ROI of Change Management will be.

Any difference in these three factors contributes to **variance in the ROI of Change Management**.

As both the McKinsey and PricewaterhouseCoopers studies showed, organizations that are more effective at controlling this type of variance tend to experience a higher ROI from Change

What Is the Value on Investment of Change Management?

VOI, or Value on Investment, is a concept introduced by Gartner recognizing that in the modern economy, intangible assets contribute heavily to an organization's products and outputs.

These intangible assets include:

- **knowledge,**
- **processes,**
- **the organizational structure, and;**
- **ability to collabora**te.

Gartner indicates that VOI is composed of several measurable components. These include:

- Business process innovation,
- Cultivation, leveraging, and managing knowledge assets,
- Individual and organizational competencies,
- Change Management plays a key role in each of these components of VOI.

Business process innovation is the **optimization of business processes** such that existing processes can be leveraged to allow the organization to pursue new opportunities.

Effective Change Management contributes to business process innovation by providing:

- a **formalized mechanism** through which change, and;
- its **positive and negative impacts** upon the business, can be fully understood.

The success of an organization is often determined by how **effectively** and **efficiently** an organization arranges and deploys its knowledge assets.

Change Management contributes to this in several ways.

1. First, the successful implementation of a change often involves a **transfer of knowledge** in order for the organization to support and benefit from the change.

2. Second, in order to properly review, assess, and authorize a change, an organization must learn how to **effectively arrange and deploy knowledge assets**.