

THOUGHT LEADERSHIP

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The True ROI of Change Management

*How change management delivers
short and long-term business value*





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How change management delivers short and long-term business value

As large organisations scramble to evolve and stay relevant to customers in disrupted marketplaces, their ability to realise plentiful value from organisational change has become an overwhelming priority.

Most leaders acknowledge the need for a more agile, resilient workforce and change-capable leaders who are ready, willing and able to absorb change and thrive under new operating models and digital capabilities.

However, when it comes to investing in change management resources and discipline, executives are often hesitant to invest enough dollars to not only deliver short-term changes but to adequately prepare their people for the long-term transformation of their organisation.

A strategy or solution is worthless without effective change management

While change management is now officially considered everyone's job, this article articulates the value of investment in high-calibre, specialist change management resources and capabilities, to enable tangible business and financial returns.

Investments in formal organisational change management are highly scrutinised. They are hard to quantify financially given a change management resource alone, doesn't deliver any financial value. They simply fuel or amplify the value of other capital investments (e.g. software or operating model design). A can of petrol is only attractive if you have a car with an empty tank.

Conversely, a new software system, for example, can't deliver financial value without change management. For some reason though, many consider a new system to hold inherent value, stating things like "the new system will save us X amount of time." But a system is only as good as its user and their free will. A more accurate framing of the reality might be: "our people will have the opportunity to save X amount of time, using this system, if we help them do so correctly and if they choose to."

Poorly executed changes result in confused, unaware, unmotivated workforces that fail to leverage all the benefits of a future state solution. How often have you heard the following when reflecting on past organisational changes?



"We don't have time to use all those new system functions and don't understand why we should anyway"

"The poor quality of data in our system makes it hard to leverage its analytical capabilities"

"We re-structured for efficiency but everyone still behaves in the same way only with less resources. We didn't change the way we communicate, collaborate and innovate within the model"

"We weren't given adequate time to get across the changes and learn how to make it a success, so we're just doing what we can to avoid a total failure"



Despite historical failures, many leaders are reluctant to invest in leading change management resources and approaches to deliver short-term changes and execute their long-term strategy. Many businesses struggle to attract, hire and retain experienced, high-performing change managers, create adaptable change frameworks or develop their change leadership capabilities. In today's complex markets and organisations, an average investment in change won't even deliver average results. Leaders must understand the full value of change management so they invest in it.

Change management has a lasting organisational impact, in addition to the expected short-term delivery benefits

1 Project
Optimising project effectiveness

2 Workforce
Boosting leadership, talent and culture for the long term

3 Business
Navigating the path to business value realisation

Effective change management does more than just deliver projects. It fuels three major areas of the organisation to yield significant short and long-term returns:

Project Benefits	Workforce Benefits	Business Benefits
Avoid wasted project effort and investment	Employee-centred delivery & future-state desirability	Limit disruption to customer, business and other projects
Project team focused on high quality solution development	Increased talent engagement, retention, productivity and performance	Change metric tracking leads to business outcomes
Increase adoption	High trust in leadership and long-term strategic commitment	Validate business case and redirects change investment if needed
Solution developed meets employee and stakeholder needs (not necessarily wants)	Long-term change leadership capability	Vision and strategy realisation

SHORT-TERM VALUE

LONG-TERM VALUE

1 Project

Optimising project effectiveness

Why buy a Ferrari if you can't drive?

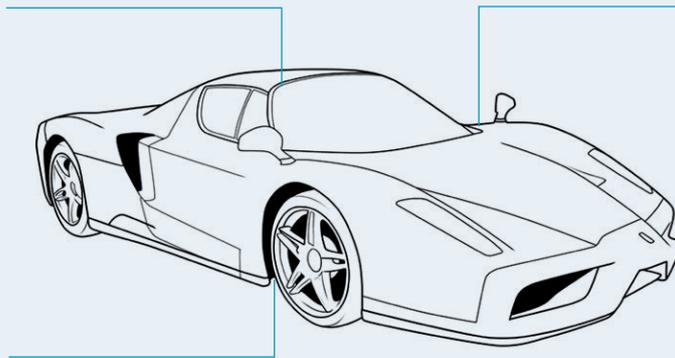
You may have the perfect strategy and world-class new systems and operating models to support it but trying to inject these into a business with no change management is like buying a Ferrari and throwing the keys to a toddler.

Are they mature enough to handle it? Do they know what to do with it? Will they use it correctly? Will they even survive?

Chances are, the car will stay in the garage and they'll stick with the relative comfort and safety of the tricycle. You might force them to jump in the driver's seat but at best, they'll crash or blow the gear box on their first outing.

The value of change management to a project is often based on minimising risk – just like getting someone to drive a car safely:

- Teach them to drive so they don't crash and waste the car's purchase value
- Explain the benefits of rapid car travel over a bike, so the decision to adopt driving is self-determined and likely sustained



- Everyone else is driving and you don't want to be last to arrive (personal fear of missing out or becoming redundant)

This risk avoidance focus can make change management processes less attractive and less talked about in terms of criticality to success. We love talking about the turbo-charged V8 engine and how it gets you from zero to 100km/h in 4.3 seconds. But the process of learning to drive the car, the rules of the road and how the car fits into the broader traffic system seem tedious, time-consuming and too hard.

However, we all know from frightening road safety statistics and the rigorous process of getting our learner drivers licence, just how seriously we need to take that process.

The same rigour should be applied to implementing organisational change.

Change managers are human-centred so the project team can focus on the solution's design and development.

Human-centred design (HCD) has recently permeated the product and customer experience divisions of all high-performing organisations. However, ask a change manager and they might tell you that HCD is not a new phenomenon. Expert change practitioners have always used design thinking to map out current and target processes and behaviours for employees

during organisational change. They also use design thinking to architect the employee experience of the change process, structuring communications, engagement and training events in a way that maximises awareness, capability and commitment for the change.

COMPARISON OF PROJECT AND CHANGE OBJECTIVES

Business Change Objective	Project Manager/Team approach	Change Manager approach
<p>Quick adoption</p> <p>To ensure employees adopt the solution quickly, so return on investment and competitive advantage are realised sooner</p>	<ul style="list-style-type: none"> ■ Ensure the solution is desirable and attractive in its design, functional capability and employee benefits - make it an 'easy sell' ■ Make the implementation schedule digestible, not overwhelming for employees, so quick wins are achievable. 	<ul style="list-style-type: none"> ■ Ensure people leaders are engaged early and accountable for adoption by direct reports ■ Ensure leaders and employees understand the solution early and know when it is coming so perception is positive and they plan time to adopt from day one. ■ Ensure employees receive a learning experience that maximises knowledge readiness from day one
<p>Effective use of solution</p> <p>To ensure employees use the solution effectively, thereby maximising total return on investment</p>	<ul style="list-style-type: none"> ■ Design the solution so it is easy to use, with minimal options that risk failure (e.g. by including a drop-down menu item so big data is easier to leverage than with multiple free text fields or by turning off old/alternative systems that make change optional). 	<ul style="list-style-type: none"> ■ Ensure employees know intended benefits of the solution so they are focused on realising them ■ Ensure employees have knowledge of how to leverage the solution to benefit themselves and customers and/or are empowered to find ways to innovate cultural behaviours that drive further benefit from the solution
<p>Commitment to change</p> <p>To ensure employees are emotionally committed to the strategy behind the change, so they remain engaged and retained, thereby minimising the indirect cost of change.</p>	<ul style="list-style-type: none"> ■ Ensure the solution design and implementation approach account for employee needs and preferences ■ Co-design the solution with high performing business employees who know the audience 	<ul style="list-style-type: none"> ■ Help leaders understand and express the change vision in a way that inspires commitment ■ Ensure leaders from top to middle management repeatedly communicate the vision and burning platform with urgency and conviction ■ Enact channels and forums through which project teams and sponsors can receive employee input so the solution and implementation approach is designed to maximise employee commitment

***Solution' refers to the target state that has been designed and built for employees to utilise or work within. It could be, for example, a new software system, product, office, operating model, culture or way of working.*

2 Workforce

Boosting leadership, talent and culture for the long term

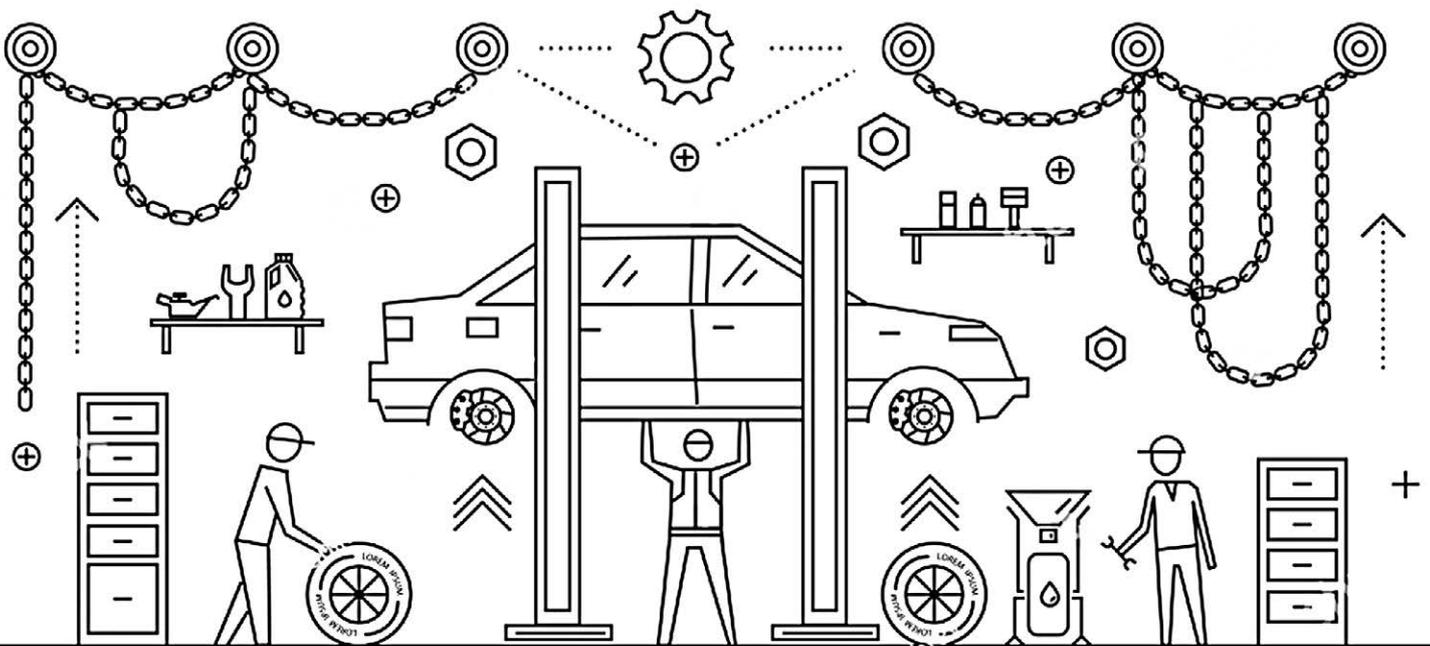
Agile development and delivery methods don't make agile workforces

One of the first things we hear from clients, in disrupted industries including banking, energy, media, insurance, health care and telecommunications, is: “our people are change fatigued.” Our view is that desirable changes delivered well should not lead to change fatigue. After all, what car enthusiast wouldn't want to upgrade from a Toyota Camry to a Ferrari (if there's an experienced, trusted instructor there to guide you, of course).

The key question for leaders is: if we increase the pace and frequency of change, as technology advancement and the proliferation of Agile delivery methods tend to, what are we doing to ensure employees keep up and don't become victims of 'change fatigue'?

The answer is two-fold:

- 1 Ensure the solution has a strong value proposition that is clearly and repeatedly communicated to employees (desirability)
- 2 Allocate sufficient investment in high-calibre change management resources to deliver short-term changes (implement well) and to improve the capacity and capability of the organisation to change regularly in the long-term (i.e. build change capability)



Addressing talent management challenges

Our C-level clients tell us that talent management issues like employee engagement, retention and performance management are impacting their businesses. They also say these issues are associated with the sheer volume of change and scale of upheaval in businesses today. Survey data directly from their people usually backs this view.

During large scale change, the change management process offers opportunities to engage the workforce in an inspiring change vision and exciting journey.

The power of this to fuel employee engagement, productivity and performance though is largely underestimated.

Research shows that introducing new technology and operating models alone does not result in greater workforce productivity and in many cases, it reduces employee productivity. The productivity value of such changes can only be realised if employees change their behaviour in alignment. Herein lies the value of effective change management.

Trust in leadership and long-term strategic commitment

Strategic commitment is the level of support, buy-in and/or emotional connection employees have with an organisation's strategy or purpose. This is not to be confused with employee engagement which may give insight into strategic commitment but largely indicates the degree of satisfaction or engagement with one's role and team.

High-calibre change management practitioners play a pivotal role in interpreting corporate and business unit strategy into understandable, relatable terms for

employees at all career levels. This enables employees to quickly understand and commit to the change. To achieve this, high-performing change practitioners exude authenticity, build trusted relationships rapidly and listen to leaders as well as junior employees to understand what they care about and hence what influences them to change their behaviour. This helps messages and engagement approaches to be designed in a manner that gets thousands of people marching in a new direction, at once.

Short and long-term change leadership capability development

Leaders are often too busy running the business to spend time 'leading change.' While there is a trend of leaders spending more time changing the business than just running it (CEOs are demanding it), executives and middle-managers still need a change advisor to download relevant knowledge of the change and steer their change leadership actions.

Change managers should act as the leader's lieutenant during change, saving them time and supporting their people, by answering the leader's key questions:

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- How are my people impacted specifically?
 - What will my people like? What will they struggle to accept?
 - What do I need to tell them and when?
 - What risks do I need to be mindful of?

- How do I inspire them to support this?
- How do I maintain their confidence in me through this change process?
- What can I say and do to maintain engagement and retain talent through the challenge?
- What skills do I need to work on to improve my ability to lead change?

In addition, through the process of helping leaders address these questions, high-calibre change practitioners usually develop a coaching and mentoring relationship with key leaders and should, at times, offer structured change leadership training to them – whether they are the change sponsor or leader of a highly-impacted business unit.

This relationship between change specialist and leader should enable effective delivery of a change in the short-term but also builds their change leadership capability for future changes.

3 Business

Navigating the path to business value realisation

Limiting disruption to customer, business and other change programs

Disruption lives in the DNA of change but if not well-managed and minimised, the extent can be devastating to a business' day-to-day operations.

When change is overly disruptive:

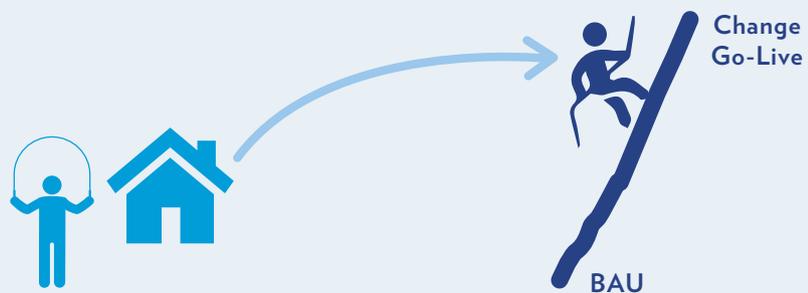
- distracted sales people hinder revenue results
- frustrated talent walks out
- gossip and cynical chatter kill productivity
- output drops and customers suffer

High-calibre change and transformation practitioners tap their superior stakeholder engagement skills to consult widely so they see the full employee experience ahead, not confined to a single project-instigated change. With this 'helicopter view' they influence project delivery plans to align to the broader business and employee experience.

They also involve frontline employees or end-users, to ensure change plans provide enough support but not excessive distraction from business-as-usual imperatives, like making sales calls or providing essential services to customers and communities.

Change management metric tracking leads to business outcomes

Change management outcomes are the *lead indicator* ensuring business outcomes are realised. It's all well and good to have a goal to climb Everest but what really ensures the goal is achievable are more specific, manageable leading, readiness indicators, for example:



Target Change Outcomes & Metrics (LEADING INDICATORS):

Target Business Outcome & Metrics (LAG INDICATORS):

EVEREST EXAMPLES	Target Change Outcomes & Metrics (LEADING INDICATORS):	Target Business Outcome & Metrics (LAG INDICATORS):
	<ul style="list-style-type: none"> ■ Complete cardio training two hours per day ■ Confirm team members six months before climb ■ Complete safety and altitude training two months before climb 	<ul style="list-style-type: none"> ■ All team members make it to the summit and back ■ No major injuries or fatalities
ORG CHANGE EXAMPLES	<ul style="list-style-type: none"> ■ All division executives support confirmed six months before go-live ■ Minimum 90% impacted employees trained before go-live ■ All impacted BU leaders confirm team readiness before go-live 	<ul style="list-style-type: none"> ■ Reduce costs by X in 12 months after go-live ■ Increase sales by Y in 12 months after go-live

A reality-check on the solution and case for change

Involving highly experienced change practitioners early, ideally during business case development, facilitates their input into the case for change. In our experience, business cases often don't adequately account for human behavioural risks that may limit adoption of a target solution. In many cases there are unrealistic assumptions, for example, that all employees will adopt all beneficial aspects of the solution, from day one after go-live.

Often the solution is not tested sufficiently with frontline users early enough and when it is, users fail to foresee all adoption risks. They may know the workforce well but don't account for the psychology of individuals within a diverse workforce nor for other factors, such as the overall business strategy and other related priorities (refer to the following case study).

CASE STUDY

A digital business credit risk capability sounds good in theory

A business banking organisation implemented a new credit analysis system to house customer financial data. Its primary purpose was to ensure business customers were in a solid financial state before taking on further debt. An additional, beneficial capability was that it allowed bankers to analyse financial trends in their customers' business, helping them to not only spot debt risks but also lending opportunities and to have better customer conversations.

While this sounds attractive to bankers, the reality at the time was bankers were only concerned with one thing: spending more time with customers and less time in systems. The hefty process, policy and admin load imposed on them meant they were only spending 20% of their time with customers. Adding to the pressure, their CEO was demanding this stat reach 40% along with continually increasing revenue targets.

Hence asking bankers to spend more time analysing data in a system was a tough sell and somewhat contradictory to CEO strategy, even if that analysis might facilitate a sale. Not only that, it became apparent that the kind of analysis they were asked to do was beyond the financial acumen of most bankers, so to enable full adoption many would need to complete significant prerequisite financial training, that was well and truly out of budget.

Unsurprisingly the full analytical capabilities of the system were never adopted.

Conclusion

Leaders today, must focus on long-term transformation and continual improvement, while also delivering short-term benefits. When deciding to invest in change management – including change manager resources, frameworks, tools and change leadership capabilities – the long-term needs of the business and workforce should be taken into account, not just short-term delivery of a project.

Huw Thomas

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He specialises in technology and operating model implementation, advising executives on strategy and techniques to boost strategic commitment and people engagement through this era of continual change.



About Blue Seed Consulting

Blue Seed is a boutique change advisory, consulting and education firm, specialising in enabling exceptional change leadership and delivery capability.

We're driven every day by our mission to make the world more change capable.

Bright thinking. Bold approaches.
Safe hands. Seamless execution.
Change intelligent expertise you can rely on.



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