

PROSCI CHANGE MANAGEMENT: CERTIFICATION PROGRAM

PRE-READ GUIDE TO CHANGE MANAGEMENT CONCEPTS

Purpose of this Guide

The purpose of this guide is to provide a high-level overview of several foundational change management concepts. We will touch on these concepts during the first day of your program; however we expect you to bring a basic level of familiarity and understanding with you to the program. By familiarizing yourself with the concepts in preparation for the program, you will be able to spend more time applying them to your project context through the program.

You are likely highly aware of why change management is critical to project success. But how do you get others onboard? This packet provides a high level introduction to models and concepts that will help you build the case for change management. As you read through the packet think through how you may use these models and concepts in your organization and on your project. We will discuss their applications in more detail in your program.

Data for this guide was compiled from research results from more than 6000 companies that participated in ten longitudinal studies over the past 20 years. This guide contains essential book excerpts, research results and a preview of the tools that you will use in the program. After completing this guide, you will be able to:

- Distinguish between project management, change management and executive leadership.
- Understand the connection between financials and the people side of change.
- Understand how to connect people doing their job differently directly to the outcomes and success of a project.
- Understand how the application of good change management can mitigate risk within a project.

What is Change Management?

- The application of a structured process and set of tools for leading the people side of change to achieve a desired outcome.
- A process used by project teams and change management practitioners to manage the people side of system, process and organizational changes.
- A competency applied by executives and managers to help employees through the transition from the current state to the future state.
- A strategic capability to increase the organizational change capacity and to accelerate changes within an organization.

Consider change management in the framework of a three-legged stool.

- The first leg is *leadership/sponsorship*. This leg represents the formulation of the strategy and direction for an organization, and the required leadership to set the necessary changes into motion.
- The second leg is *project management*. This leg represents the fundamentals of managing a project, including the design of work tasks and the management of resources to implement a change on time and on budget.
- The final leg is *change management*. The people side of the change. This leg represents the actions taken by the organization to help employees transition from the current state to the desired future state.

The Prosci® PCT™ Model (Figure 1 below) shows these three *essential* elements for realizing effective change. In order to achieve the objectives noted in the center of the triangle to their full extent, all three components must be strong and must work together.

You have been asked to assess each component of the Prosci® PCT™ Model for your project as another component of your pre-work. We will review your findings in a group discussion at the program.

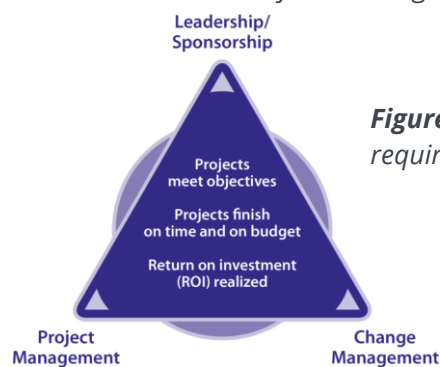


Figure 1 – Three elements required for successful change

Prosci® PCT™ Model

Prosci®

Why Change Management?

Three different studies over the past decade have shown that the total value created by a project is directly related to the application and effectiveness of change management.¹ These studies showed that projects using effective change management processes and tools had a much higher probability of achieving their objectives, finishing on time and staying on budget.

Below are three simple perspectives that you can use to help others understand financial and business arguments for why to apply change management:

1. **Translating change management into financial performance**
2. **Connecting change management to business results**
3. **Mitigating negative consequences**

We will discuss each perspective in more detail at your program but as you read through the concepts think through how you could use one or all of these perspectives for your project.

1. Translating change management into financial performance:

Employee resistance to change was cited five times more frequently as an obstacle to successful change than any other project obstacle.² Applying change management can directly impact:

- **Speed of adoption** (how quickly the change is adopted into the organization and how well the project stays on schedule)
- **Ultimate utilization** (the overall level of participation and ultimate utilization of the new processes, tools and job changes)
- **Proficiency** (how employees perform in the new environment – are they achieving the expected performance levels?)

When the people side of change is poorly managed, projects fall behind schedule, fewer employees engage in the change and proficiency levels are lower; projects deliver a lower ROI or in some cases fail completely.

From a net cash flow perspective, the effects of a well-managed versus poorly managed change are illustrated in Figure 2. The relative impact of the three factors (speed of adoption, utilization rate and proficiency) on net cash flow and ROI are shown in Figure 3. These figures represent the potential

negative impact on payback period and return on investment when projects are poorly managed, specifically when adoption rates are slow, overall participation is low and proficiency levels are not achieved.

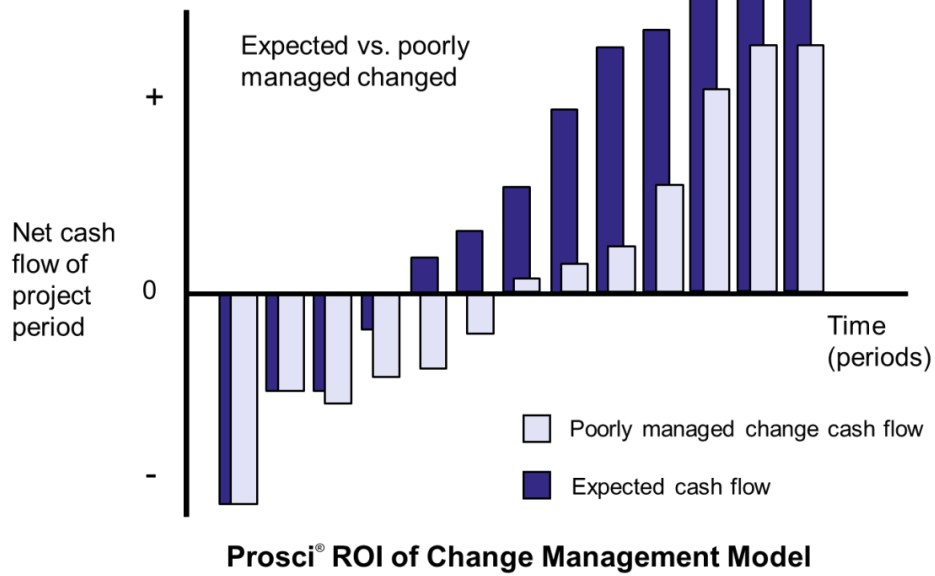


Figure 2 – Impact on ROI as shown in net cash flow for the project

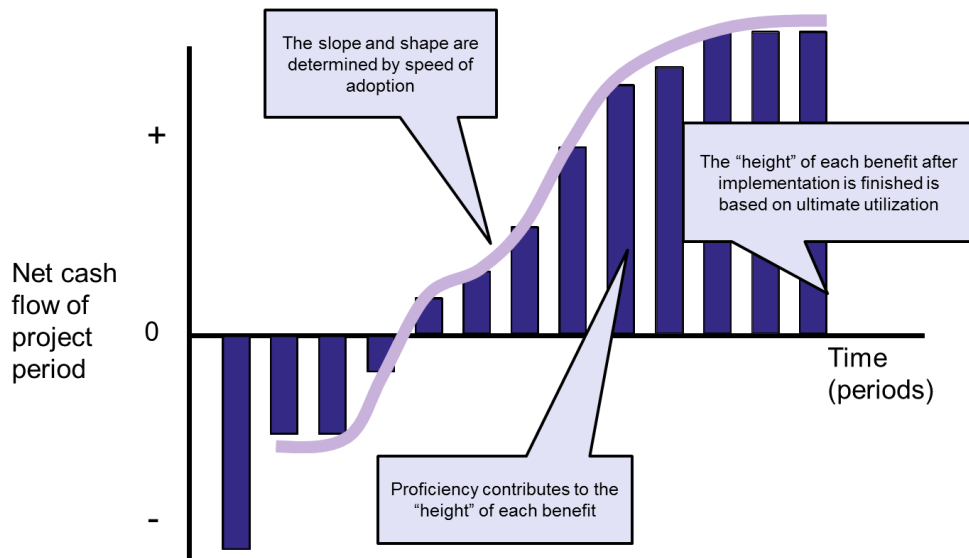


Figure 3 – Impact of the three change factors on net cash flow

2. Connecting change management to business results:

Another way to contextualize the connection between change management and a project's return on investment is to look at the relationship between the intended outcomes of your project and the amount of people change required in order to achieve those outcomes. Once you have identified what the intended outcomes of a project or change are, you can begin to assess the percentage of project outcomes that are directly dependent upon people doing their jobs differently. Once you have made this connection you can begin to articulate the importance of getting people on board with the change. If the impacted people do not change how they do their job, then the particulars of the change become somewhat irrelevant. Further, if the impacted people don't change how they do their job, your organization will ultimately not realize the intended outcomes of your initiative.

In your project, what percentage of the intended outcomes are directly tied to people changing the way they do their job on your project?

3. Mitigating negative consequences:

In addition to accelerating the change into the organization and maximizing the return on investment for a change project, change management can mitigate potential negative consequences of major transitions. As shown in Figure 4, a *natural* reaction to change will be a drop in productivity and an increase in resistant behaviors. Effective change management minimizes these negative factors and avoids the compounding risks of multiple changes. Simultaneous changes cause instability in an organization that leads to change saturation and limits overall change capacity (see Figure 5). As people move into the risk/flight zone, productivity declines, customers are negatively impacted and valued employees leave the company.

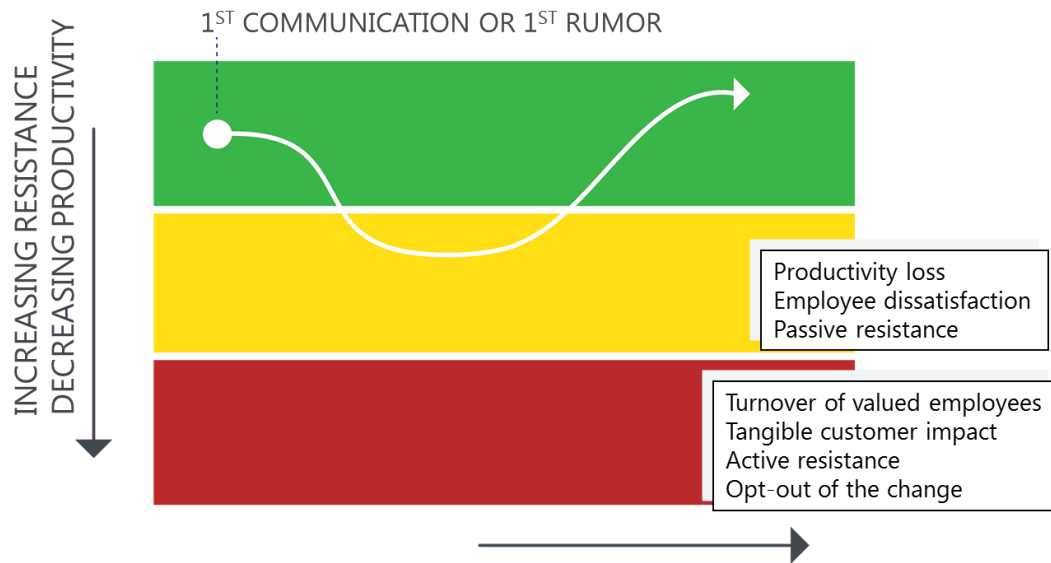


Figure 4 – Prosci® Flight-Risk Model showing normal reaction to change

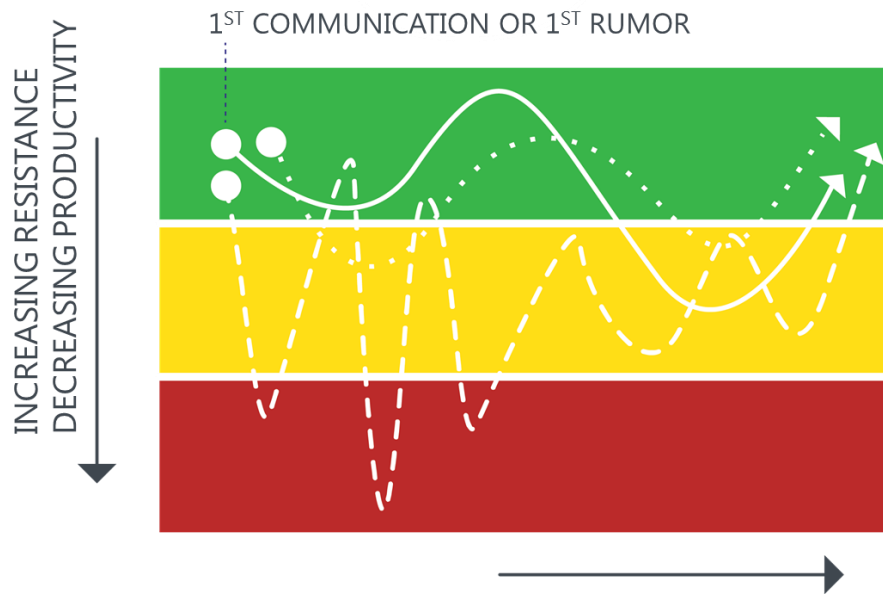


Figure 5 – Prosci® Flight-Risk Model showing multiple changes

Summary

You are likely already aware of the impact that successful change management can have on your project and your organization. The Prosci® PCT™ Model, combined with the three 'why change management' models that we have covered, begin to lay the foundation and provide varying approaches to help you bring others on your project team and within your organization onboard with your change management efforts.

In your program we will take a deeper dive into how your project measures up in each component of the Prosci® PCT™ Model and the impact those scores will have in achieving the outlined objectives of your project. We will also look more closely at how to apply the three 'why change management perspectives.' Your knowledge and personal perspectives on this content coming into the program will be valuable drivers of our class discussions.

We look forward to meeting you at the program!

References

¹*Helping Employees Embrace Change*, McKinsey Quarterly, Issue 2, 2002; *Deliverables*, PM Network, October, 2005.

²*Business Process Reengineering Benchmarking*, Prosci, 2003.