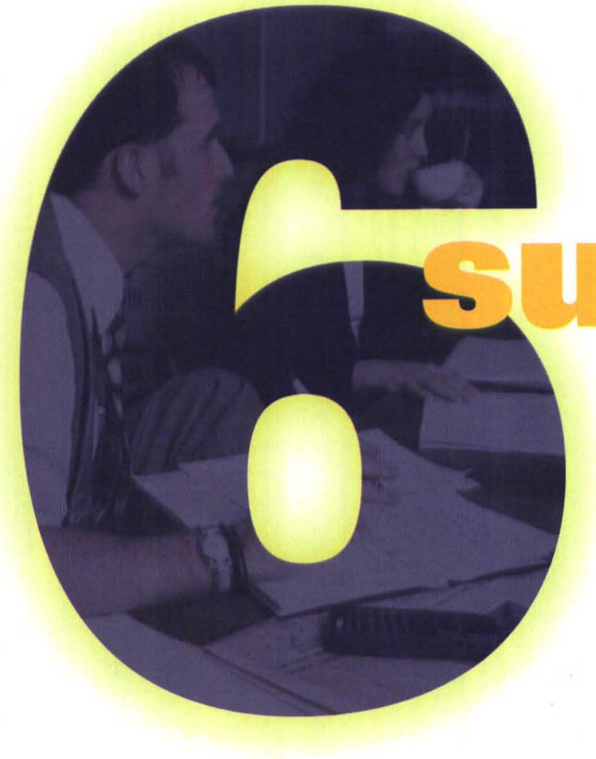

Six principles for successful business change management

by Jeff Hall, MSc, APMP, FMS

Prior to the 1990's, change was almost evolutionary. Organisations ticked over from one day to the next. Business processes were almost set in stone and remained unchanged for years. This is no longer the case. Today, it is a constant challenge for any organisation to gain competitive advantage. To meet this challenge an organisation must have business processes in place that enable operational efficiency, minimise product development time, and deliver a quality product to the customer at an acceptable price. However, because the market is dynamic, an organisation must also be able to cope with a faster change cycle and this demands an ability to handle change whenever the market (usually the customer) demands it. Thus it is essential that an organisation, be it commercial or industrial, has in place a highly effective methodology to manage any - not just major - change. The six principles presented here will allow this.

Principle Number 1:
Project Sanction

Any proposal for change will only succeed if it obtains buy-in by the senior executives; this often means the directors who sit on the board. Without this high level buy-in change will often fail. However, change will only be agreed if a convincing argument for it is presented. This can only be achieved by developing a watertight business case.

Developing the business case should be undertaken by specialist team which may include the core members of the project team who would be involved once it is given the go ahead (eg, project manager, benefits realisation manager).

Building a business case is a major topic on its own and will not be addressed here but the key items to include in the business case are:

- the reasons why change is required; eg, merger with another company, to launch a new service, to increase customer satisfaction;
- who is sponsoring the change (eg, a board director), who is the accountable executive - responsible to the directors and ensuring the change meets expectations- and who will project manage it;
- what advantages/benefits are to be gained. For example, competitive advantage, to gain additional profit via a new product, customer retention through cost reduction, etc;
- the impact on the organisation (eg, operational cost of change, affect on staff);
- any known risks associated with the change (the risk is assessed in more detail once the project begins);
- terms of reference;
- timescales for implementation;
- the cost of the change (including project/implementation costs) and pay back period.

Principle Number 2:
Project management and control

The first task the project manager should undertake once the project is sanctioned is to run a Project Definition Workshop (PDW). This should be attended by the key personnel involved in the change. This may include the accountable executive, key business and IT staff and even suppliers if they are have a major role to play. In most cases the PDW is the first opportunity they have to attain a detailed understanding of the business change and begin building the project team. As a minimum the PDW should confirm and document:

- the scope of the project (described in the business case which includes the terms of reference) so that everyone understands who is involved within the organisation, which business processes are affected etc,
- what benefits are to be delivered
- the resources required for the project team, including the project office
- timescales for the major checkpoints of the project - ensuring they are realistic and achievable,
- the risks associated with the project (see Principle 3 for more details on risk)

It really is important to have the PDW facilitated; an independent, skilled facilitator is worth their weight in gold. The PDW should be recorded and the minutes circulated for confirmation soon after the event.

Once the PDW is complete the project plan can be developed and agreed. Again, a facilitated workshop is the perfect vehicle for this. All tasks must be identified, together with the major checkpoints that will provide regular opportunities to review progress formally which may include a 'go or no go' decision to process to the next stage of the project.

All well run projects have a 'review board'. Chaired by the accountable executive and attended by key project staff, the board regularly reviews progress, especially the key checkpoints in the project plan and current status of benefits realisation. They will also deal with any major issues and bring requests for additional budget or staff, etc, to the project sponsor for resolution.

Monitoring and progress chasing the tasks within the plan is the responsibility of the project office. The project office can be seen as the project manager's eyes and ears on a day to day basis. Reporting to the project manager, it monitors and maintains the project plan, tracks benefits realisation, identifies and reports any slippage, manages the project risk log, monitors project budget actual costs against budget, tracks resource utilisation, and acts as day to day progress chaser to ensure the project stays on track. It also produces weekly and monthly progress reports for the project manager, review board and directors. As well as having a project office manager it is good practice to have a benefits realisation manager within the project office. The project office needs supporting processes and procedures; it's records should be filed in a secure place, not just for day to day use, but also as a historical record to use for project reviews and internal audit.

Principle Number 3:
Risk Management

There are two types of risk: project risk and operational risk.

Project risk is all about identifying all risks that, if realised, would impair the successful delivery of the business change. For example, there may be a risk to completion on time if supporting technology infrastructure was delivered late.

Operational risk is about understanding the business change that is taking place and identifying any risk it could place on the business operation. For example, if the change involved electronic trading, there could be a risk to confidentiality of customer data if the network was not secure.

Although project and operational risk should be tackled separately, the process for assessing and managing risk is common. Both should use facilitated workshops. For project risk it will be mainly attended by the project team with representatives from the business affected by the change (ie, someone who understands the current and proposed business process). In the case of operational risk, those attending will be mainly business area personnel involved in the change plus someone from the project team

At the risk workshop, the following procedure should be adopted:

- analyse the impact of the change on the project (project risk) or business operation (operational risk)
- identify and agree the areas of risk and consequence if the risk became reality
- assign a level of
- probability (of the risk occurring),
- impact (if it occurred)
- and from this deduce a severity factor (how it would affect the business)
- agree the mitigating actions to reduce/eliminate the risk; or agree to accept the risk
- allocate responsibility for managing each risk

And then document the above

- agree a process for monitoring the risks and for handling any new risks that crop up during the life of the project
- pass the output to the project office to manage and progress chase. In the case of operational risk the business area may choose to manage this themselves rather than the project office. However, it may be more advantageous for the project office to manage both with support from the business area, thus retaining an overall view on risk.

In the cases of both project and operational risk, new risks may be identified as the project progresses. The risk management process must cater for this.

Principle Number 4:
Communicate

Typically, human beings spend 70% of a day communicating in one form or another. This underlines the importance of communication as a key success factor. Poor communications will at best hinder progress and at worst sink the project.

It is good practice to appoint a dedicated communications manager for the project. This is an especially important role if material is to be published outside the company and the media becomes involved.

Communication has many threads. The mains ones are to:

- inform people initially that change is taking place
- gain everyone's commitment by explaining the reason for change, eg, to introduce new products, to improve business operational excellence
- provide regular updates on progress, what happens next, etc
- gain feedback from staff and customers and suppliers too
- help ensure a smooth transition from the old to the new
- liaise with marketing to help them produce new marketing material
- produce end user documentation, eg for organisational and process changes, user manuals and best practice guides for IT based business processes
- produce technical user manuals
- identify training needs so that those involved can cope with the business change and arrange training

An alternative approach to the last three points is to establish a training sub project, managed by the communications manager, to handle documentation and training for the new business process. The advantage of 'communications' owning this area is the retention of a single point of contact. This avoids confusion over boundaries between communications and training.

As with all good project management practice, a Communications plan should be developed and agreed. It is vital that the culture of the areas to be affected by the change is well understood before the plan is finalised. Understanding culture, or 'the way we do things around here' will influence the method of approach (delivery channels, media, terminology, etc) for the communications campaign. You must identify your audience and understand their preferred method of communication.

Typical delivery methods are through:

- presentations
- discussion groups
- video tape
- video conference
- audio tape (useful for mobile workers)
- newsletters and house magazines
- posters

- e-mails
- and more often these days, through a company Intranet

Most of the above is targeted within an organisation and with its suppliers if they are involved. However, if change involves the public or customers, this will need to be given special attention. It may include personal visits or even a dedicated marketing initiative involving press conferences, TV, radio and national and local newspapers.

Remember, you cannot communicate enough. The four rules of thumb are:

- know your audience
- remember the old adage 'KISS'; clarity will aid understanding
- tell, tell and tell again - don't assume it gets across first time
- seek feedback to check that your message is getting through as intended. If not find out why and, if necessary, amend your communications programme

Principle Number 5:
The People Culture Factor

Even with the best laid plans things go wrong, caused either by unforeseen circumstances within the project plan, or by unexpected human reaction. It should be possible to handle matters affecting project progress through project management and control. However, people's reaction to change is more difficult to anticipate and handle.

Change, even from one IT based process to another, involves people. The project team is involved from day one of the project and will understand the need for change. Those affected may not. 'Human nature' does not like change; the status quo is much preferred. Those affected may raise minor objections and delay the project. Worse still, they may refuse to change and the project may founder. And don't forget that those affected may not be within the organisation, they could be customers or suppliers.

How can such barriers be overcome? To understand the impact on people you must see it from their perspective and above all understand their culture. To experience their culture you have, in effect, to become one of them. Put yourself in their shoes; understand how you would feel if you were on the receiving end; understand what is reality to them. This means talking to them; canvas their views. They may be simply misinformed, or their resistance could be more deep routed. By getting involved as early as possible you will get feedback and detect any signs of concern that could lead to problems later on. With this approach you will quickly learn how best to craft the communications programme that is appropriate for the local culture. The aim being to not only keep them informed and gain feedback, but to build a bond of understanding. Once this bond is established it has to be maintained. This means being honest and this demands you share bad news as well as good. People do not like being kept in the dark; they certainly don't like surprises.

The secret of success is to anticipate problems, look for early signs of things out of the ordinary and have a process to handle and resolve them successfully.

Principle Number 6:
Project Review

Once a project is complete it is easy to sit back and relax after a hectic and possibly stressful period of hard work. This is especially true if the project is a great success and you are basking in glory. However, while the experiences of the project are still fresh in everyone's mind this is the ideal time to undertake a formal review of the project. Ideally, this review should occur before signing off the project.

To conduct a project review properly it is essential to have all those with a vested interest to attend (this includes the sponsor, the project manager, the project office manager, the communications manager, someone from the area in which the change occurred, any supplier involved, etc). The review should take the form of a facilitated workshop. The purpose of the review is to ensure due process was followed which includes:

- the sanction process was adhered to
- project management and control was effective
- risk was managed
- communications was effective
- the appropriate project documentation was produced
- the agreed deliverable and benefits were realised

It is key part of the process that the review is documented not only to record the outcome formally, but for the benefit of other projects to learn from the experience and apply the lessons learned for the benefit of future business change projects. It is all about continuous improvement for the overall benefit of the organisation (and a must for a 'learning organisation').

In summary

Business processes are no longer set in stone for long periods of time; they will constantly change to meet the needs of a dynamic and increasingly competitive market place. In order to meet this challenge and prosper, an organisation must have a business change methodology. The Six Principles I have described here will help them achieve this.

Jeff Hall is a Director of Ceros Consulting Ltd, who specialise in managing all aspects of the business change cycle and programme/project management. Jeff has delivered a number of successful major assignments in the banking, retailing, education, port operations, transport and civil and marine engineering sectors. He has undertaken assignments in the UK, Europe, Middle East, North America and Africa and was until recently a senior conultant with Barclays Bank.

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