Risk Management, Change Management and the Big Picture

IRM Risk Forum – March 2011

Matt Rumble - ACII FIRM
Workshop Outline

- Introductions - Exercise
- Change Management Context
- Change Management vs Project Management
- The Psychology of Change
- Five Main Change Management Risk Areas
- The Final Checklist
Change Management
Context
Change Management Context

Focus of workshop is:

- Large BIG picture strategic change
- However a lot of the content can apply to any change initiatives
Change Management Context

- According to the majority of cross-industry studies in project and change management, more than 70% of projects fail to meet their targets.

- I bet most people in this room can think of examples.
Change Management Context

- The real cost of failed projects is massive but cannot be easily calculated. Any failed initiative has numerous cost aspects
  - Lost up front investment costs
  - Lost ROI
  - “Waste of time” mentality / lost ability to subsequently reinstate a project
  - Lost market opportunity costs (first mover advantage)
  - Reputation – internally and externally (customers, investors and employee’s)
Change Management vs Project Management
How Does Change Management Differ from Project Management?

**Project Management**
Focused on the **planning and daily management** of specific project-based deliverables.

Focuses primarily on more **administrative project needs** such as the business case, project planning, budget, timelines, status tracking, reporting, metrics / KPIs, steering meetings, etc.

Important for managing all sizes and types of projects, regardless of personal change requirements.

**Change Management**
An approach to **address people-oriented implementation risks** arising from change.

Focuses specifically on **people-oriented risk areas** such as sponsorship, support roles, engagement, resistance, and buy-in.

Necessary on projects requiring people to change the way they work or how they behave. Especially critical when personal commitment rather than simple compliance to these changes is needed.
The Psychology of Change

- Time
- Stability
- Immobilization
- Anger
- Denial
- Bargaining
- Depression
- Testing
- Acceptance

Emotional response

Active

Passive
How and Why Do Projects Fail?

Projects that require changes in the way people work or behave, very often fail due to problems in specific change management-focus areas. i.e. The “soft stuff” is the hard stuff.

Some common project failure points include:

- Missing, inappropriate, or inadequate sponsorship of a change:
  - An incorrect or inappropriate sponsor from the beginning
  - No lasting, visible, and/or active support for the change
  - No prioritization of the change and its required resources over other activities

- Major resistance to a change due to:
  - Missing identification and support of key stakeholders likely to resist the change
  - Missing engagement in the decision-making and development of a change
  - A missing or inappropriate story to sell the change
Corporate Change Experience
Why Change Has Been Difficult or Failed in the Past

"Lack of executive buy-in and support"

"Lack of leadership"

"Too much change, no chance to see if things work"

"Not many people really believe we need to change"

"Lack of resources to deliver"

"Too many initiatives hitting our people at once"

"Too slow in decision making"

"Too complicated"

"Too many changes to take at the same time without an underlying vision"

"Focus not clearly defined, moving target"

"We don’t believe in the change"

"It has not been understood"

"Sponsor does not actively lobby across enterprises for complete buy-in"

"Drive top-down, not bottom up. ‘Shoving it’ down the change targets throats"

"Not enforced, no consequences to not adopting the change"

"People not dedicated 100% (20% doesn’t really work)"
Five key risk areas in terms of the Change Management for Strategic Initiatives:

- Poor sponsorship – Leadership of change
- Change Story not articulated – Where/Where /& How
- Poor consideration of stakeholders
- Poor communication of change
- Lack of change empowerment (coaching/mentoring/training/from the top down)
Sponsorship/Change Leadership
The Role of the Sponsor

*Sponsorship is the most powerful lever in change…and it’s rarely pulled well*

**Project management responsibilities of the sponsor**

- **Defines** the scope, resources and schedule
- **Resolves** project issues by balancing scope, resources and project dates
- **Sets priorities** between this project and competing projects or day-to-day operations

**Change management responsibilities of the sponsor**

- **Communicates** directly with employees; shares why the change is happening and the risks of not changing; aligns the change with the direction of the business; repeats these messages
- **Builds a sponsorship coalition** that reinforces awareness message at all levels; enables peers, directs reports, and managers to communicate consistent reasoning for the change
- **Participates actively and visibly** throughout the change process; stays engaged with the project team; takes feedback from employees
Change Story
Change Story Principles

A compelling, well-articulated, and passionate change story is needed to deliver the business case. It should make clear:

- **Why we need to change**
  What is the cost / pain / urgency to leave the current state? (Must convey tangible urgency - 10X as powerful as the future state)

- **Where we need to get to**
  What does the vision of the future state look like in concrete terms? (Must be directional and inspiring)

- **What the change / transformation will look like**
  What are the specific major changes we will make to get there?

A change story needs to be punchy, to the point, highly business relevant, and tailored to the expectations of the target audience.
Change Stakeholder Map
Understanding the Change Roles

Initiating Sponsor (IS)

Sustaining Sponsors

SS

Group 1

Group 2

Group 3

Group 4

Group 5

Change Sponsors
Two types, initiating & sustaining
- Legitimize change in eyes of targets

Change Agents
- Project manage pieces of the change to be implemented with change target groups

Change Targets
- People in the org who must change if the business case is to succeed
Change Communication

Build Awareness, Understanding, Commitment and Action (in terms of Change)
Change Empowerment

- Coaching – Top down, starting with how to be an effective sponsor
- ADKAR
The Final Checklist

5 W plus H

- What are the Changes that need to be made?
- Why are the changes being implemented?
- Who will be impacted by the changes?
- When will the changes be implemented?
- Where will the changes apply? (e.g. international projects)
- How are the changes going to be implemented? (link to change planning and organisation)
Q & A / Group Discussion