

7 Strategies for Successful IT Project Change Management

Change management in information technology (IT) projects should address the same concerns as other corporate change efforts such as cultural transformations. Ignoring the wide-reaching impact IT initiatives have on the workplace will result in the continued failure of IT systems to deliver value over time.

Executive Summary

- The economic downturn will result in lowered sales and an increased reliance on IT-driven efficiencies.
- Traditional IT change management is too narrow in scope and results in poor return on investment (ROI).
- Focussing your change management efforts on 7 areas will result in successfully introduced systems that will continue to be used to capacity for years to come. This means better ROI and return on assets (ROA).

Cash Is King

At no prior time in recent history has it been more critical to get IT right. With the markets at near depression levels and credit as tight as it is today, every investment

a company makes has got to pay off. IT is extremely well positioned for this challenge. Most of the silver bullet myths that Business Intelligence (BI), Enterprise Resource Planning (ERP), and Supply Chain Management (SCM) will save the day have been exposed. Managers know that, while putting in a new system can save them money, it's a difficult thing to do right and carries a risk of zero-payback when done wrong. The 'management maturity' with respect to expectations for IT's capability means that projects getting past the approval stage have a much better chance of success than just 10 years ago.

The "Cash is king" mantra is neither new nor a fad. One of the best ways to consistently identify market leaders is by their cash flow:

"The market is not fooled by cosmetic earnings increases; only earnings increases that are associated with improved long-term cash flow will increase share prices"¹

While top-line growth is important to a company's long-term prospects, bottom-line growth and cash flow are critical to its survival. And one of the things IT does best is automate manual processes. The resulting boost in productivity and reduced cost of doing business will increase cash flow, which is great for the company's value. It is also something companies desperately need during tough economic times.

Best Practices Matter

There's an emerging consensus that best practices matter. How you do things (methodology) like project management or software development has a real impact on whether the project succeeds or not. That organizations like the Project Management Institute (PMI) and the International Institute of Business Analysis (IIBA) have gained in popularity is a testimony to this realization. As businesses like

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GE, Toyota and others achieve success through exploiting business best practices like six sigma and lean manufacturing, IT best practices start to make a lot of sense.

There is, however, one practice area that is still not getting the attention it deserves: change management. Change management practitioners, unique in the best practice disciplines, recognize that business process transformations do not automatically become entrenched in the corporate DNA.

Take, for example, the SAP implementation at a certain manufacturing company. Six years after moving manual business processes and data from a legacy mainframe application into SAP, the only modules still being used were FI-CO, SD and MM ¹¹, making it essentially a very expensive accounting and order-entry system. Resource leveling and manufacturing planning had moved to spreadsheets and whiteboards. The problem originated with managers who, convinced it would prevent them from delivering required results, told their employees to work around it. The change didn't take.

Expect Long-Term Results

The above example describes a 'successful' project in which the system performed as desired and was initially being used correctly post-implementation. Six years later, however, it was delivering a fraction of its initial value. Although project success rates have improved ¹² with the application of best practices like the Project Management Body of Knowledge (PMBOK), successful projects are not delivering the long-term benefits they should. Companies that do not recognize the critical role change management plays in complex system implementations and business transformations will not get the return on investment they are looking for.

To achieve long-term benefits from your IT projects, consider the following strategies:

1. Develop a Powerful Vision

We all know that change is painful. No one likes it. In order to move people from the status quo to a different and better future we need to create a sense of urgency. As one executive described it, "If they're [employees] not standing on a burning platform, why would they want to get off?" Consider this—it took Enron to bring about Sarbanes-Oxley (SOX) and Iraq combined with the financial crisis helped bring about Obama's presidency.

Consider also—if there's no compelling reason for the project, it should be cancelled—you'll never get the support you need and probably shouldn't be doing it anyway. 'Nice-to-haves' are optional and should continue to fall to the bottom of the priority list. Almost all businesses have a long list of pressing needs or business practices crying out for change.



Obama did a masterful job at building grassroots support during his campaign for presidency.

Quantify the Business Need

One of the leading causes for a lack of urgency is that most projects have no business case. Even though there may have been conceptual discussions justifying the initiative and impressive PowerPoint presentations delivered, no one has taken the time to quantify the business need for doing it nor the hard benefits that will be derived. Business imperative comes naturally when the amount of money lost due to quality problems from current broken business processes is realized.

The specifics of how to justify a project are determined by the company business plan and IT portfolio management strategy. Projects should be more strategic in nature if the management team is aiming for growth or an enhanced competitive advantage. When the primary goal is to reduce costs and gain efficiencies, projects should exploit transactional systems to automate labour-intensive activities or use collaboration tools to boost knowledge worker productivity. Financial methods such as discounted cash-flow analysis (DCFA) enable us to select the right projects by measuring one project's value against another.

2. Get Executive Support

Getting the executive team to rally behind any major change effort is crucial. How does this happen? To start, top management needs to believe in it. If at some point continuing with the project will result in a delayed product launch or lost sales, the president will have to shoulder the responsibility for continuing regardless. There is no

Theory in
Practice

Develop a Powerful Vision

- **Build your portfolio management strategy.** Identify the types of benefits management is looking for and target corresponding projects.
- **Develop a business case** that will help identify critical issues and use hard data to justify investment.
- **Work with your finance group** to develop a financial template all projects can use as part of their business case. This will allow you to make 'apples-to-apples' comparisons.

perfect time to put in an enterprise system. Due to the amount of change involved there will likely be a short-term negative impact on employee productivity or effectiveness. This shouldn't prevent proceeding with the project if expected gains exceed the costs, which include reduced profitability or sales.

When change management is embedded in your project management processes you'll know of upcoming financial hits and give senior management the opportunity to proactively communicate the initiative's rationale to shareholders.

Develop a Broad Coalition

Although every project should have at least one champion, that is, someone who will ensure critical resources remain available, you also need to develop a broader coalition. It's not enough to have one or two believers because at some point the managers opposed to the project—and there are almost always some—will fight it. If you're alone there's a good chance you'll lose.

3. Limit Project Scope

Returning to the Chaos report, we see that project success rates fall off dramatically from nearly 60% for small (< \$750 thousand) projects to almost 0% for large (> \$10 million) projects^{iv}. Keeping the project as small as possible while still delivering significant value to the business accomplishes two things. First, it provides a better chance of delivering it on time, on budget and feature complete and second, it limits the magnitude of change the organization will have to absorb. Don't forget—this isn't the only project your company has undertaken. Your project will be competing with other projects for employee focus and time, the very thing needed to make your change effort a success.

Larger projects would do well to take an iterative approach, delivering incremental value throughout the

Theory in
Practice

Get
Executive
Support

- **Establish an IT governance function** in your organization. Use it to ensure key executives and stakeholders, including board members, take part in the selection of projects.
- **Create a Project Steering Committee** for each new initiative. The project owner will be accountable for the system's implementation while those having a stake in its success will be committee members. Meet as frequently as necessary to keep the project front and centre and to ensure the committee's availability to make key decisions.
- **Ensure the committee is involved** with actionable tasks. One way is to have the committee deliver project updates to the entire organization, reminding staff (and managers) why this is so important.

life of the initiative and aim to deliver real business value as soon as possible, in months if practical. A business intelligence initiative should deliver value incrementally by first delivering those data cubes that will bring the greatest value to the enterprise, followed by the cubes of lesser value. This ensures the biggest benefits are gained as early in the project as possible, making a positive impact on the morale of those involved and building the organization's commitment to see it through to completion.

Control Project Change

Change control will also help you limit scope. It's natural, when some additional value can be gained from the project, to ask for it to be added to the scope. Make sure there is a rigorous and well understood process in place for assessing project change requests with an eye on organizational impact, project risk, and project cost (money and time). This way you won't be the one saying 'no'. Rather, the change control process you've put in place will make the answer self-evident.

4. Get Grassroots Involvement

One of the most important constituents to target in change management efforts are the system's end-users. These are the people who will ultimately have to use the new system and whose work processes will be most affected by its introduction. This group is also composed of senior staff who consider themselves to be the most knowledgeable in their domain. Losing control over their work will make many of them feel devalued, potentially leading to a perceived threat to their job security. These are powerful inner forces working against the change effort.

Motivation Matters

Motivations such as the desire to feel valued for the work they do and fear of job loss are too powerful to fight. Early involvement in the project will show end-users and senior staff that their expertise is respected and their value is acknowledged. Employing them as subject matter experts as you design new

Theory in Practice

Limit Project Scope

- **Identify key business benefits** in your business case.
- **Use requirements management best practices** to trace project requirements to business benefits. If requirements don't trace to benefits, they shouldn't be included.
- **Ensure all changes to the project scope are approved by the steering committee.** Risk and schedule impact should be included in the information communicated to the committee.
- **Use a 'parking lot' to store ideas** that have merit for future system improvement/maintenance efforts.

work processes will help people feel ownership over the finished product. Turning some into ‘super users’ who will then support their colleagues during and after the system’s deployment also imparts new skills and enhances employability.

5. Remove the Barriers

Issues arise and mechanisms become evident during a project’s life cycle, preventing the project team from successfully carrying out their duties. There are three ^v types of barriers projects typically face:

1. Competing Projects

The first is related to competing business initiatives. A business might find itself faced with an important and difficult problem that requires the involvement of a project team member to resolve. This need might stem from a new product introduction. Either way competing projects will, if allowed, pull team members off the project for a significant period of time. The absence of key resources can bring the project to a halt.

2. ‘Outsider’ Perception

The second type of barrier involves perception. While the project team members themselves will feel a direct connection between the project’s success and their own, other employees won’t. These ‘outsiders’ will have to contribute their time at some point and, chances are, will have to do so in addition to the work they already perform. It may include having to be trained on a new system or involve lost time as they acclimatize themselves to new and unfamiliar work processes. As a further disincentive, managers will likely not recognize the project-oriented efforts of non-team members when performance review time comes around. Disgruntled employees—whose pain is caused by the new systems’ introduction—may also develop workarounds to resist the change.

3. Hidden Organizational Barriers

The third and last barrier originates in hidden organizational mechanisms coming into conflict with the project. A company may establish performance targets that departments or individuals need to meet in

Theory in
Practice

Get
Grassroots
Involvement

○ **Identify people who are both subject matter experts and opinion leaders.** Involve them in the project, either in helping to define new processes or identifying the impact they will have on current ones.

○ **Create a ‘super user’ category of users**—ones who believe in the change. They will receive extra training and will support their colleagues when they encounter problems. They also make great ambassadors for the project. Make sure these individuals are recognized for the extra work they will be doing.

Theory in Practice

Remove the Barriers

- **Adjust compensation and incentive programs** to encourage project participation. Make sure you go beyond the project team to ensure the support of departments and staff that will have to dedicate some energy to the project.
- **Communicate project priorities** as part of the corporate business plan. Make sure employees (and managers) know that their involvement is important and required.
- **Make it the steering committee's mandate** at the beginning of the project to remove obstacles and ensure the project continues to have access to the resources it needs—both human and capital.

share information easily and frequently with employees. Intranets, blogs, and corporate social networking platforms are excellent mediums over which to share and elicit feedback, especially with employees in the 40-and-under crowd.

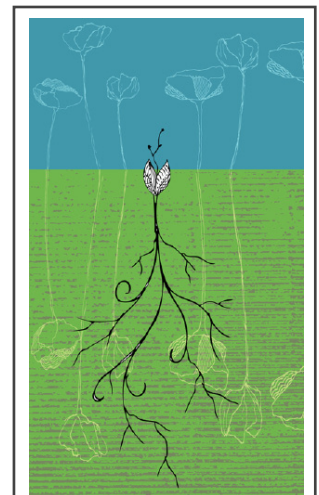
To ensure senior employees are included, face-to-face meetings might be necessary. As an example, one cultural change effort included the president meeting with every employee in groups of 10-12, twice over an 18-month period. These meetings allowed individuals to share their thoughts and concerns and

order to be eligible for bonuses or other incentives. As previously mentioned, significant change efforts often have a measurable impact on the business' performance due to the lost operational productivity of those on the project team. It may become impossible to deliver results in line with targets that were set without the project's impact being considered. Department heads and employees alike will either abandon project work in order to meet their performance targets or, worse, may try to achieve both. In the first case the project will be negatively impacted while in the second, project and employee morale will be hurt as trying to meet both requirements will end in frustration and failure.

Organizations need to be certain that these barriers are uncovered and removed prior to the project's launch. Further vigilance will be required throughout its life to ensure new opposing forces do not come into play. Better yet, implement mechanisms to encourage project involvement and discourage actions or behaviors that may contribute to project failure.

6. Communicate Frequently

Leaders almost always underestimate the amount of communication that is required for people to buy in. Technologies today allow us to



Change takes root in much the way plants do; with large quantities of 'water' (communication) and time.

enabled the leader to gain first-hand feedback about the progress of the change effort. The senior manager was also able to give feedback to other managers involved and to implement some of the ideas originating from these staff meetings. The town hall scenario might be an effective way to share information, however meetings with 100+ employees are not an ideal forum for staff to voice their concerns.

Senior Manager Buy-in Essential

Senior managers need to also practice what they preach. As we mentioned in strategy 5 'Remove the Barriers', leaders have to stop rewarding behavior that runs contrary to the change effort. Rewarding staff for delivering on 'the numbers' while neglecting the project is a sure way to negate anything the leader might be communicating in support of the change.

7. Don't End the Project Too Soon

Managers responsible for change efforts are often relieved when they're concluded. These efforts are emotionally draining and often span a number of months or years. Senior management is also frequently keen to 'move on' to new things.

However, prematurely declaring the change effort complete risks short-term frustration and long-term failure. Even after the project is over, there is often an extended transition phase during which those affected by the change get used to the system. They are not yet fully productive, haven't encountered all the ways in which the new processes differ from the old, and still need support from the project team. If those team members have already been re-deployed they will have nowhere to turn, resulting in frustration and rejection of the new system.

"...in one of the most successful transformations I have ever seen, we quantified the amount of change that occurred each year over a seven year period. ... The peak came in year five, fully 36 months after the first set of visible wins."^{VI}

Successful change efforts take time. Planning for a post-implementation transition period will make sure

Theory in Practice

Communicate Frequently

- **Communicate much more** than you think is necessary.
- **Use social networking technologies** to spread information and elicit feedback. Technology vendors have products that will operate behind your company's firewall, restricting these communications to employees, partners, and/or customers, as required.
- **Plan face-to-face meetings** with employees, allowing those who are more comfortable in intimate settings to share their thoughts and concerns.

the investment you've made will continue to pay off for years to come.

Conclusion

By applying the change management practices described in this article, senior managers will ensure a better outcome for their initiatives. The introduction of change management in a company should start with modifications to the project management processes. As a company matures in its use of change management processes, these techniques will become embedded in its culture.

Theory in
Practice

Don't End the Project Too Soon

- **Include a post-implementation transition phase** in the project plan to make sure resources are not redeployed before the project is truly over.
- **Transition plans should span several months or years** depending on the complexity and depth of the change effort.

About the Author

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Notes

- ⁱ Valuation: pg. 77
- ⁱⁱ FI-CO - SAP's Finance and Control modules
MM - SAP's Material Management module
- ⁱⁱⁱ Chaos: A Recipe for Success
- ^{iv} Budget value is an incomplete method for project size or complexity measurement. The \$10 million project mentioned concerned a custom application development effort taken on by a team of more than 500 people. Enterprise application projects often command large license fees that can easily make up more than 50% of the total project cost. They also require smaller team sizes. Using Commercial Off-The-Shelf (COTS) software may reduce project complexity.
- ^v Other barriers include risks that need to be mitigated for the project to succeed. Since risk management is a well understood aspect of the project management discipline, it is not covered in this paper. More information on it can be found in the Project Management Body of Knowledge, 4th Edition.
- ^{vi} Leading Change: Why Transformation Efforts Fail: pg. 8