

The value of change management comes from directly contributing to benefits realization. The cost-benefit analysis for change management must focus on connecting effectively managing the people side of change to the achievement of results and outcomes. The decision to take on the “cost” of change management is simple once you make a compelling case on the benefits side. Email an analyst at changemanagement@prosci.com for more information.

Cost-benefit analysis for change management webinar handout

Foundation:

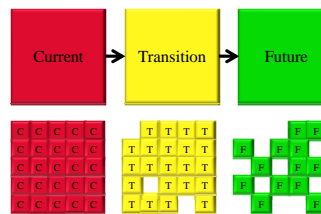
- Formal definition from Prosci:
 - Change Management is the [application of] the set of tools, processes, skills and principles for managing the people side of change to achieve the required results and outcomes of a change project or initiative

Alternative views that focus on the reality of change:

- A system for encouraging employees to embrace, adopt and utilize a change to how they do their jobs
- A framework for enabling successful individual transitions resulting from a project or initiative

Connecting change management to benefit realization, results and outcomes:

1. Organizations introduce change with projects and initiatives
2. These changes impact how individuals do their work (behaviors, processes and tools)
3. Achieving results and outcomes (i.e. benefits realization) is the result of individuals doing their work differently



Organizations don't change, individuals do. Organizational success in change is the cumulative result of individual success

Cost of change management

- Primary cost components:
 - Change management resource costs
 - Training costs
 - Communications costs

- Secondary cost components:
 - Consultant costs
 - General expenses
 - Event costs
 - Change management materials
 - Reinforcement and recognition costs

Cost estimation:

- % of project budget
- % of project FTEs
- Adding nature of change
- Work breakdown analysis
- Drawing on experience

Benefit perspectives for change management:	
1. Benefits realization insurance	Change management is at the cornerstone of benefits realization since benefits are not realized if individuals do not reach their own future states. What percentage of expected improvements are dependent on individuals doing their jobs a new way?
2. Likelihood of success	Change management increases the probability of meeting objectives. Data shows that projects with effective change management are more likely to: <ul style="list-style-type: none"> • Meet objectives • Stay on schedule • Stay on budget
3. People side ROI factors	Change management drives project ROI through the three factors related to the “people side” of any change: <ul style="list-style-type: none"> • Speed of adoption – how quickly people make the change • Ultimate utilization – how many people make the change • Proficiency – how effectively people make the change
4. Eliminate the REs	Change management helps avoid many costly REs. The REs of ignoring the people side of change (revisit, redesign, redo, rework) are wasteful, non-value adding, costly and discouraging.
5. Cost avoidance and risk mitigation	Change management is a tactic for avoiding costs and mitigating risks on projects. When change is poorly managed, there are additional costs and risks at the project level and at the organizational level.