

In 2009 Prosci released a tutorial on the cost-benefit analysis for change management (read the tutorial at <http://www.change-management.com/tutorial-why-cost-benefit.htm>). This tutorial was very well-received and became the basis for the webinar. Central to the discussion is that change management has one sole purpose – to improve the value that a project or initiative delivers to the organization. This handout summarizes the cost-benefit analysis for change management. Email an analyst at [changemanagement@prosci.com](mailto:changemanagement@prosci.com) for more information.

**Cost-benefit analysis for change management webinar handout**

Foundation:

- Change management is:
  - A structured process and set of tools for leading the people side of change to achieve a desired outcome
  - A set of roles fulfilled by senior leaders, managers and supervisors to support employees through their own personal transitions
- Change management requires a “change” as an input – a project or initiative that impacts how work is done
- The “benefits” perspectives in this webinar tie directly to the value or ultimate success delivered by the prescribed “change”

Cost components:

- There are costs incurred to apply change management on a project or initiative, including:
  - Time for change management team/resource
  - Materials
  - Training

Five benefit perspectives:

1. Three "people side" ROI factors
2. Cost avoidance
3. Risk mitigation
4. Benefits realization insurance
5. Probability of meeting objectives

Benefit perspectives for change management:	
1. Three "people side" ROI factors	<b>Change management drives project ROI</b> through the three factors related to the “people side” of any change: <ul style="list-style-type: none"> <li>• Speed of adoption</li> <li>• Ultimate utilization</li> <li>• Proficiency</li> </ul>
2. Cost avoidance	<b>Change management is a cost avoidance tactic.</b> When change is poorly managed, extra costs occur on three fronts: <ul style="list-style-type: none"> <li>• Costs to the <b>project</b> if change is poorly managed</li> <li>• Costs to the <b>organization</b> if change is poorly managed</li> <li>• Costs to the organization if the change is <b>not fully implemented</b></li> </ul>
3. Risk mitigation	<b>Change management is a tool to mitigate risks,</b> similar to other risk mitigation approaches. When change is not managed effectively, additional risk exposure occurs. Large, disruptive changes and changes impacting change-resistant groups pose have higher risk.
4. Benefits realization insurance	<b>Change management provides benefits realization insurance.</b> Consider how much of the value of the project ultimately depends on people doing their jobs differently. <ul style="list-style-type: none"> <li>• Ask yourself: “Is meeting this objective dependant on people doing their job differently?”</li> <li>• Follow up: “What percentage of these benefits results from people doing their jobs differently?”</li> </ul>
5. Probability of meeting objectives	<b>Change management increases the probability of meeting objectives.</b> Data shows that projects with effective change management in place are more likely to: <ol style="list-style-type: none"> <li>1. Meet objectives</li> <li>2. Stay on schedule</li> <li>3. Stay on budget.</li> </ol>