

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 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	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 • Ultimate utilization • Proficiency
2. Cost avoidance	Change management is a cost avoidance tactic. When change is poorly managed, extra costs occur on three fronts: <ul style="list-style-type: none"> • Costs to the project if change is poorly managed • Costs to the organization if change is poorly managed • Costs to the organization if the change is not fully implemented
3. Risk mitigation	Change management is a tool to mitigate risks , 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	Change management provides benefits realization insurance. Consider how much of the value of the project ultimately depends on people doing their jobs differently. <ul style="list-style-type: none"> • Ask yourself: “Is meeting this objective dependant on people doing their job differently?” • Follow up: “What percentage of these benefits results from people doing their jobs differently?”
5. Probability of meeting objectives	Change management increases the probability of meeting objectives. Data shows that projects with effective change management in place are more likely to: <ol style="list-style-type: none"> 1. Meet objectives 2. Stay on schedule 3. Stay on budget.