

# Prosci change management webinar

## ROI and change management measurement

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#### Our principles:

- Research-based
- Holistic
- Easy-to-use

#### Prosci by the numbers:

6	8	Longitudinal studies
12	10	Years of research
66%	58%	Fortune 500 companies
2000+	1,600	Research participants
3500+	2,500+	Certified practitioners
45,000+	32,000+	Registered members

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- Thought provoking
- Challenge the status quo
- Provide new ideas

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Prosci has a full suite of tools available to help organizations build their own internal competency at managing the people side of change.

#### Our channels:

- Published products and tools
- Web-based tools and applications
- Face-to-face training
- Online learning opportunities

#### Our target audiences:

- Change management specialists
- Project teams and leaders
- Senior leaders
- Managers and supervisors

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Webinars are presented by Tim Creasey,  
Prosci Director of Research and Development

# Prosci Global Conference

Best Practices in Change Management  
Las Vegas, Nevada - April 25 - 28, 2010



## Trends, Tools & Methodologies

Join us for the biggest change management event of the year!  
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## Agenda

- Cornerstone
- Project ROI stage setting
- ROI of CM Model
- Measurement Model
- Three ROI of CM perspectives



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## Cornerstone: One person making a change to how they do work

The diagram features three colored boxes: a red box labeled 'Current', a yellow box labeled 'Transition', and a green box labeled 'Future'. A stick figure carrying a hammer is positioned to the right of the 'Future' box. Three arrows point downwards from each box to corresponding text below.

What I had done in my daily work before the change?

How I make the change to my daily work?

What I will be doing in my daily work after the change?

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## Organizational change is the culmination of individual change

The diagram shows a grid of individual change models. On the left, a single model with 'Current' (red), 'Transition' (yellow), and 'Future' (green) boxes is labeled 'Organizational change (project)'. To its right, a 4x3 grid of similar models is labeled 'Individual change'. Dashed arrows point from each of the four 'Future' boxes in the grid to the 'Future' box of the organizational change model. A gear icon is located below the organizational change model.

Organizational change (project)

Individual change

results from

Current Transition Future

Current Transition Future

Current Transition Future

Current Transition Future

Current Transition Future

Current Transition Future

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## Jumping off point

- Recognizing the **individual change** required by a project is the **foundation** of ROI discussions and change management measurement
- Individual change is central to project ROI
- There are three factors of individual change that drive project ROI
- Individual change is at the core of any measurement program

## Stage setting: Project ROI

- Organizational change can also be viewed as three states:



- ROI results from:



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## Stage setting: Project ROI

- Goal of any project or change is to improve performance in the future state
  - Reduce cost
  - Generate revenue
  - Improve efficiency
  - Improve operations
  - Reduce risk
  - Meet regulatory requirements
  - Deliver on customer expectations
  - Be best-in-class
- To improve performance (i.e. reach the future state) changes are made to:
  - Processes
  - Systems
  - Tools
  - Job roles
  - Org structure

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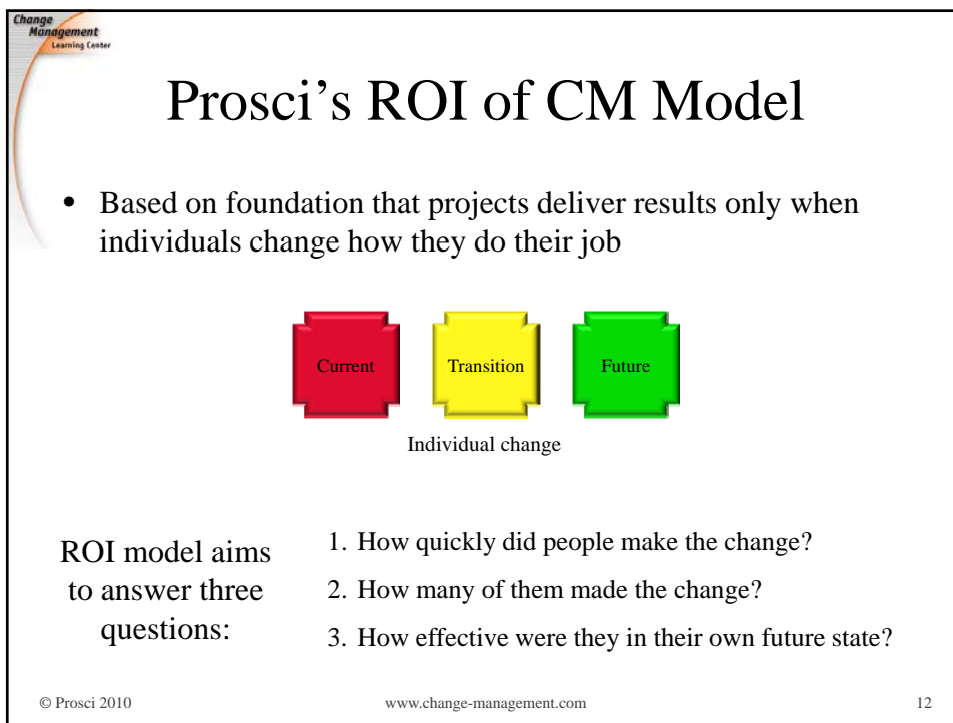
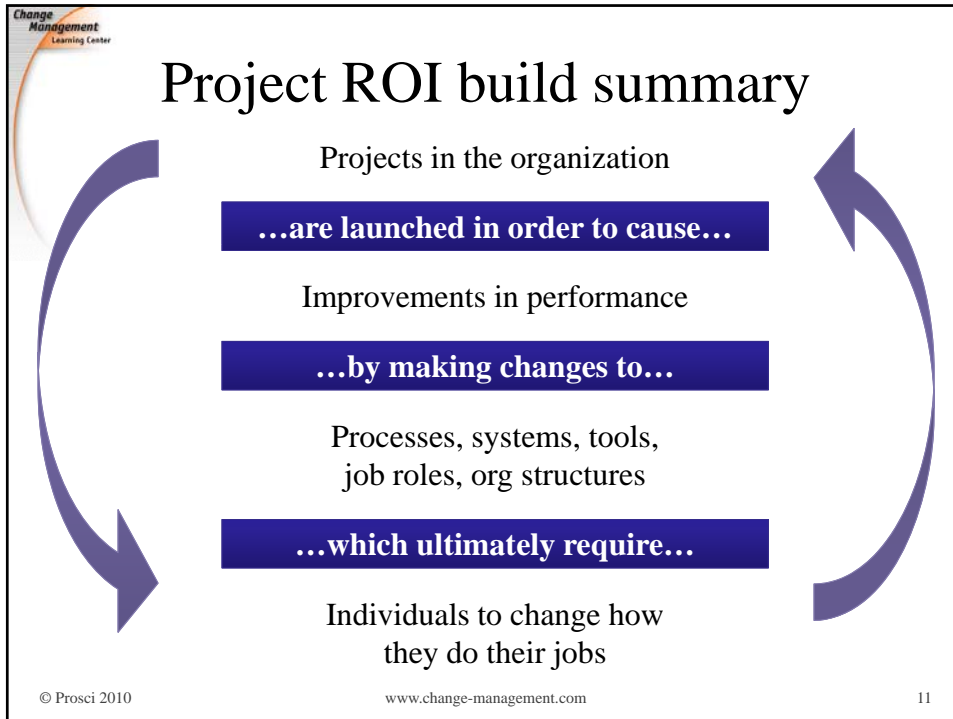
## Change happens at individual level

- Changes to processes, systems, tools, job roles and org structures only **come to life** through changes in individual workflow and behaviors

Organizational change via a project or initiative

Individuals changing their workflow and behaviors

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## “People” factors that determine project value:

Speed of adoption

- How quickly did people make the change?

Ultimate utilization

- How many of them made the change?

Proficiency

- How effective were they in their own future state?

In your experience, which factors have had the greatest impact on ROI?

Speed of adoption

Ultimate utilization

Proficiency

## ROI of CM example

Case:

- Two people doing a task at ACME – Andy and Becky
- If they change how they do the task, ACME saves \$5000 per month
- It will cost \$20,000 and take 2 months to get Andy and Becky to change how they work

Baseline:

- Cost to cause change: **\$20,000**
- Expected benefit: \$50,000

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
(20,000)		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

## ROI of CM example

Scenario 1:

- You neglect the people side of change
- Instead of taking 2 months, it takes 6 months to get Andy and Becky to make the change
- ***Speed of adoption is slower than expected***
- Cost to cause change: **\$20,000**
- Expected benefit: \$30,000      *Loss: \$5,000 \* 4 = \$20,000*

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
(20,000)		0	0	0	0	5,000	5,000	5,000	5,000	5,000	5,000

Scenario 2:

- You neglect the people side of change
- Becky still makes the change, but Andy “opts out”
- ***Ultimate utilization is less than expected***
- Cost to cause change: **\$20,000**
- Expected benefit: \$25,000      *Loss: \$2,500 \* 10 = \$25,000*

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
(20,000)		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500

# ROI of CM example

**Scenario 3:**

- You neglect the people side of change
- Andy and Becky make the change, but are only generating 70% of expected savings
- **Proficiency is lower than expected**
- Cost to cause change: **\$20,000**
- Expected benefit: \$35,000     *Loss: \$1,500 \* 10 = \$15,000*

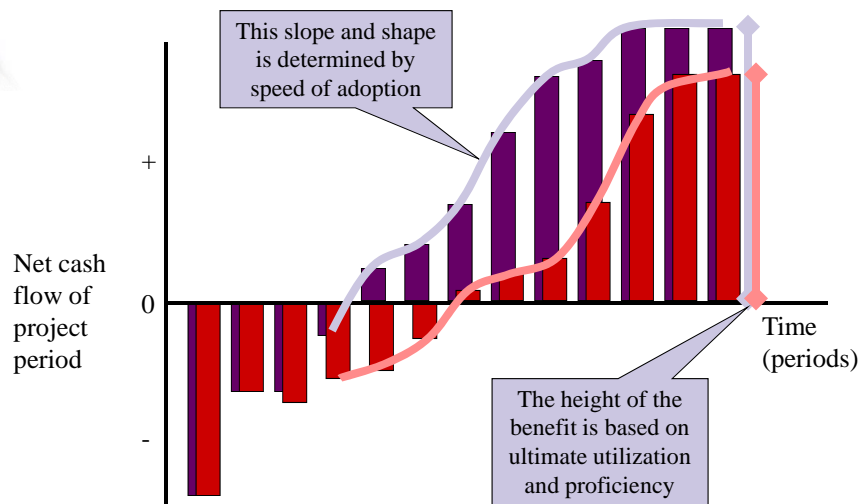
M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
(20,000)		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500

**Summary:**  
Speed of adoption, ultimate utilization and proficiency impact ROI

Your project is not that different than this simple example

	Cost	Benefit	Improvement (B - C)	ROI (B - C / C)
Baseline	\$20,000	\$50,000	\$30,000	150%
Scenario 1	\$20,000	\$30,000	\$10,000	50%
Scenario 2	\$20,000	\$25,000	\$5,000	25%
Scenario 3	\$20,000	\$35,000	\$15,000	75%

# Expected vs. poorly managed



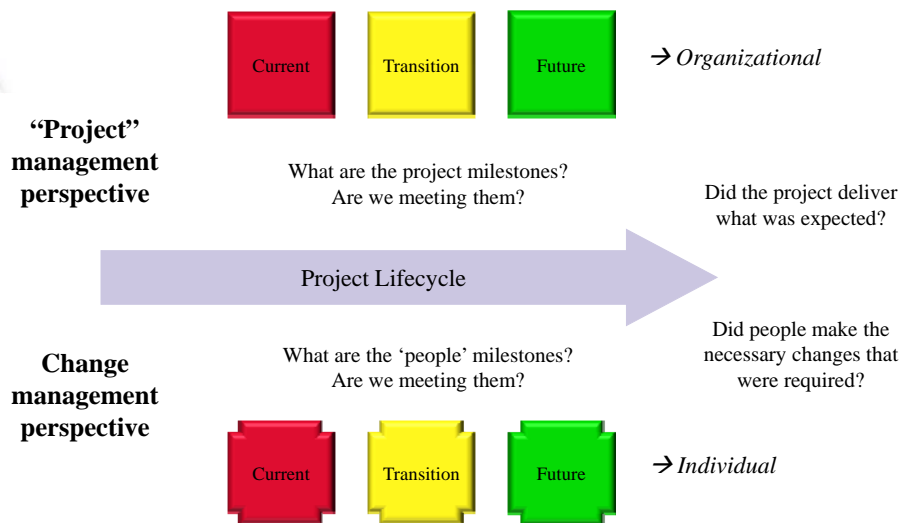
## ROI of CM conclusion

- There are not “universal” *metrics* for the three ROI of CM factors, but the three factors are universal
- For your project:
  - What does “adoption” mean?
  - What does “utilization” mean?
  - What does “proficiency” mean?



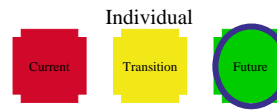
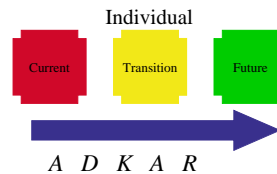
Each factor depends on the specific individual changes required by your project

## Question of measurement



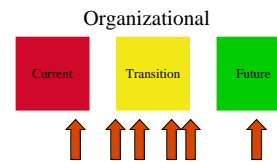
## Two points of measurement Individual perspective

- **Process:**
  - How well are employees making the transition?
  - How well are we supporting that transition?
- **Outcome:**
  - Are employees doing their work the “new way” required by the project?



## Two points of measurement Project perspective

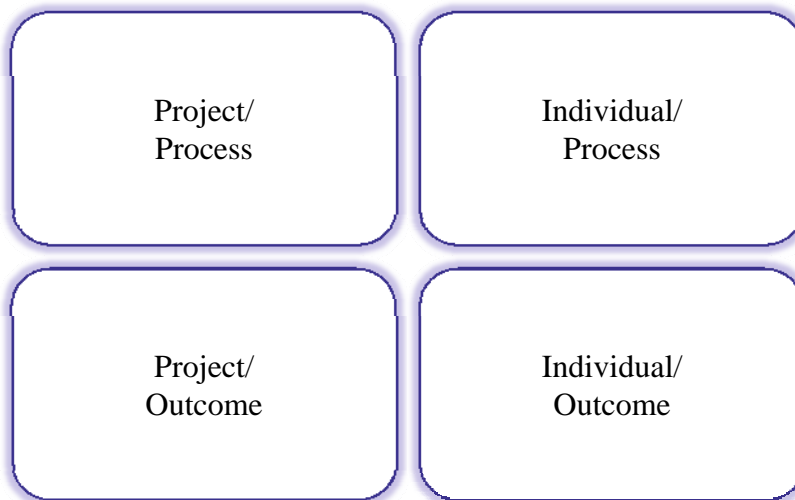
- **Process:**
  - Are milestones being met along the way?
- **Outcome:**
  - Was the project delivered on time and on budget?
  - Did the project deliver the intended results?



## Framework for measurement

	Project	Individual
Process	<ul style="list-style-type: none"> <li>• Define it</li> <li>• Measure it</li> </ul> <p><i>Examples: schedule adherence; percentage of project complete; design specifications established and met</i></p>	<ul style="list-style-type: none"> <li>• Define it</li> <li>• Measure it</li> </ul> <p><i>Examples: levels of Awareness, Desire, Knowledge, Ability and Reinforcement at point in time; speed of adoption</i></p>
Outcome	<ul style="list-style-type: none"> <li>• Define it</li> <li>• Measure it</li> </ul> <p><i>Examples: cost reduced; revenue increased; operational metrics met; efficiency metrics met</i></p>	<ul style="list-style-type: none"> <li>• Define it</li> <li>• Measure it</li> </ul> <p><i>Examples: compliance with new behaviors, processes, workflow; ultimate utilization; proficiency</i></p>

Which ones do you do well?  
Which ones are most difficult?



## Measurement key for change management

- To answer **“what are we going to measure?”** you must define the **individual behavioral and workflow changes** required by the project



Do your change efforts define  
the individual changes required?

- If yes, how?
- If no, why not?

## Three final perspectives on ROI of change management

- Cost avoidance
- Benefit realization insurance
- Likelihood of meeting objectives

## ROI of CM perspectives: Cost avoidance

- Effective change management helps you avoid numerous costs that reduce your project's ROI
- Productivity plunges (deep and sustained)
- Impact on customers
- Impact on suppliers
- Morale declines
- Resistance (both active and passive)
- Loss of valued employees
- Project delays
- Project abandonment

## ROI of CM perspectives: Benefits realization

- Change management can be viewed as “benefit realization insurance”
- What percentage of the project's expected benefits relies on people making changes to how they do their work?
- Are you willing to leave that portion of the project ROI at risk and uninsured by neglecting the people side of change?

## ROI of CM perspectives: Likelihood of meeting objectives

- Growing body of research indicating that:
  - Effective change management correlates directly to projects meeting objectives and delivering on expected ROI

*Helping employees embrace change*, LaClair and Rao, McKinsey Quarterly, 2002 Number 4

*Correlation analysis of change management effectiveness and meeting objectives*, Prosci's Best Practices in Change Management report, 2009

*Creating organizational transformations*, McKinsey Global Survey Results, July 2008

*Making Change Work Study*, IBM Global Business Services, Oct 2008

## What can you do:

Step 1: Define the individual changes required by your project	<ul style="list-style-type: none"> <li>• Have you defined the individual change required by your project?</li> <li>• Start the discussion today with the project teams you support</li> </ul>
Step 2: Shift the perspective	<ul style="list-style-type: none"> <li>• <b>From:</b> "What is the ROI of change management?"</li> <li>• <b>To:</b> "What percentage of the ROI of the project depends on people changing how they do their jobs?"</li> </ul>
Step 3: Create a system for measuring results	<ul style="list-style-type: none"> <li>• Project/Process measurements</li> <li>• Project/Outcomes measurements</li> <li>• Individual/Process measurements</li> <li>• Individual/Outcomes measurements</li> </ul>
Step 4: Build the anecdotal case for change management	<ul style="list-style-type: none"> <li>• Examples of projects that effectively managed change and those that did not, and the results of both</li> <li>• "Remember when..."</li> </ul>

## Next Steps

- Make the connection:
  - Project ROI **results from** changes to processes, tools, systems, job roles, org structures which **come to life through** individual changes
- Define the individual changes required by the efforts you support:
  - Start the discussion
  - Get project teams engaged
  - What does “to adopt” and “to be proficient” mean?
- Show the consequences:
  - Costs, benefits left at risk, reduced likelihood of meeting project objectives
- Apply change mgmt:
  - Use a structured approach
  - The tool you have to drive individual changes

## Prosci change management offerings

Research-based | Holistic | Easy-to-use

### Certification



3-day intensive program where you applying the methodology, process and tools to a real project as you learn them.  
Earn CEUs, PDUs and HRCI credits

**Open enrollment:** offered at locations across the US and around the world by Primary Affiliates

**At your location:** for classes up to 16 participants

*“Awesome - truly one of the most beneficial programs I have ever attended - immediate application on the job!”*

*“The best training class I have had in years. Goes way beyond the strategy and framework and focuses on real world problems and the tools to solve them.”*

### Additional training

**Onsite programs for:** Executives and senior leaders; Managers and supervisors; Front-line employees

**New:** Train-the-Trainer program teaches you how to deliver Prosci’s change management programs in your organization

### Methodology tools



**Change Management Toolkit:** 3-ring binder with CD-ROM – complete process and set of assessments, worksheets and templates for creating change management strategy and plans



**Change Management Pilot Pro:** online methodology tool with “four-click” access to methodology, downloadable templates and assessments, benchmarking excerpts, presentations and numerous eLearning modules

### Best Practices report



**Best Practices in Change Management (2009 edition):** most complete body of knowledge on change management available with benchmarking results and lessons learned from 575 change practitioners – learn what works and what doesn’t work for managing the people side of change

## Change management certification

"Very easily the best, most educational learning experience in which I have ever participated." - Chris T.

- **Prosci change management public sessions** (Tuition: \$2100)
  - 3-day certification program in change management
    - Work on an actual change project from your organization
    - Utilize best practices research with more than 2000 companies worldwide
    - Get input from seasoned executive instructors and fellow classmates
    - "Hit the ground running" with your change management plans when you return
    - Earn 2.4 CEUs, 24 PDUs from PMI and 22.75 HRCI recertification credits
    - [www.change-management.com/change-management-training.htm](http://www.change-management.com/change-management-training.htm)
  - Held several times per month at locations across the United States

"One of the best sessions for business training I have attended. Well structured methodology for immediate impact."  
- Ken M.

"Fantastic program to bring together the project management discipline with a change management methodology."  
- Keith S.

"Amazing experience - career changing for me. What I learned at Prosci's Change Management Program will allow me to transform my organization." - Shelly Z.

"Many training sessions only give the theoretical approach, but this one took it to the next necessary step of implementation..This will jump-start the change!" - Debra Q.

## Resources for applying the Prosci methodology

- The following resources were used in the creation of this webinar. If you are looking for more detailed descriptions, checklists and tools, visit [www.change-management.com/bookstore.htm](http://www.change-management.com/bookstore.htm) for ordering information.
- Resources for developing change management plan
  - **Change Management Toolkit** (\$349)
    - Change management principles, process, templates and checklists in an easy-to-use 3-ring binder with CD-ROM
    - [www.change-management.com/change-management-toolkit.htm](http://www.change-management.com/change-management-toolkit.htm)
  - **Change Management Pilot Pro 2010** (\$449)
    - Online version of Prosci's methodology and tools
    - Updated content with latest best practices and new assessments
    - [www.change-management.com/cm-pilot.htm](http://www.change-management.com/cm-pilot.htm)

## Portfolio and CM Competency resources

- In addition to the tools for applying change management on a particular change effort, Prosci has offerings to support organizations who have taken the next step – toward managing the portfolio of change and building change management competencies throughout the organization.
- **Change Portfolio Toolkit** (\$800)
  - A structured approach and set of tools for bringing clarity to the portfolio of change. Use Change Scorecards, the Group Impact Matrix, Change Heat Maps and the Portfolio Dashboard to better understand and manage the portfolio of change in the organization
    - [www.change-management.com/portfolio-toolkit.htm](http://www.change-management.com/portfolio-toolkit.htm)
- **ECM Lab** (\$4000 + \$250 per participant for materials)
  - A facilitated design session that helps you and your team create a customized plan for rolling out change management in your organization.
  - Conducted over five “live” sessions with assignments for lab work in between by your ECM team.
    - [www.change-management.com/ecmlab.htm](http://www.change-management.com/ecmlab.htm)

## Reference and research materials

- Reference guides
  - **Best Practices in Change Management benchmarking report** (\$249)
    - 2009 benchmarking study, most comprehensive report ever
    - Lessons learned and findings from 575 participants from 65 countries
    - [www.change-management.com/best-practices-report.htm](http://www.change-management.com/best-practices-report.htm)
  - **Change management: the people side of change** (\$18.95)
    - Introduction to and foundation in managing the people side of change
    - [www.amazon.com](http://www.amazon.com) and search for “change management”
  - **ADKAR: A model for change in business, government and our community** (\$18.95)
    - The definitive explanation of the ADKAR model and how it can be applied to create successful change
    - [www.change-management.com/adkar-book.htm](http://www.change-management.com/adkar-book.htm)

## Resources for supporting others

- Support for managers and supervisors
  - **Change Management Guide for Managers and Supervisors** (\$189)
    - 3-ring binder with detailed guidelines and exercises to help managers support their employees through the change process
    - [www.change-management.com/managers-guide.htm](http://www.change-management.com/managers-guide.htm)
  - **Employee Survival Guide to Change** (\$14.95)
    - A handbook to help employees survive and thrive during change with frequently asked questions and tools for managing personal transition
    - [www.change-management.com/survival-guide.htm](http://www.change-management.com/survival-guide.htm)
  - **Coaches training session** (onsite, call for pricing)
    - 1-day program full of exercises to apply coaching principles
- Executives and senior leaders
  - **Executive briefing** (onsite, call for pricing)
    - 4 to 6 hour session geared to show senior leaders how they can be successful sponsors of change, including assessments on real changes

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