

Change Management Issues and Risk Mitigation Strategies for the Enterprise

A professional whitepaper by:

Kevin Kutzavitch, MSLIT/ Mastech, Inc.

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Change Management Issues and Risk Mitigation Strategies for the Enterprise

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Executive Summary

This document explains and positions organizational change management standards and reference models to effectively mitigate organizational risk related to dealing with transformation. It also outlines the agreement on core organizational change management governance concepts. This document is intended to serve as a guide to the reader to help differentiate and select strategies appropriate to their needs.

The specifications introduced and positioned in this document include the Change Management Approach Reference Model, Change Management Strategic Goals, and the Organization Impact Assessment Matrix.

This document outlines the importance to organizational leaders of adopting a solid and formalized change management strategy to ensure achievement of the organizations strategic objectives while mitigating both internal and external risk factors of failure and poor user acceptance and adoption. As importantly, it highlights the need for a firm communications strategy as well as the need to establish Key Success Factors for successful change adoption.

A secondary goal was to invoke collaboration between disparate communities within the lines of business to encourage consistency and integration of people and processes across the organization affected by change strategies.

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Introduction

This document is written to discuss the concept of organizational change management, define those issues that specifically face the information technology environment, and proposes a solution to mitigate organizational change management issues.

The implementation of IT systems almost always involves change within the user community and can have a dramatic effect on the organizational processes of a business. Therefore, the way that individuals interpret change to their daily business functions is as important as the actual change to the technology or business process itself. Luftman concludes that, “IT can change how people work and people can interpret the use of IT in ways that designers never anticipated. These issues must be addressed in a change management plan”.

Consequently, an organization’s approach to change management can have a greater impact on the success or failure of an IT project than the ability of the technology to meet the business objectives for which it was designed. In fact, change management policies will often determine a projects ultimate success as end-user acceptance is critical to any IT initiative.

Overview of Change Management Concepts

There are many reasons why people in an organization resist change. Every organization has its own culture that is defined by processes, methods, habits, procedures and perceptions that are engrained in the fabric of the business and its people. These traits are not easily altered as they are developed over the course of time and become the precedence and standards for the correct way things are done within an organization; consequently, expectations and belief systems are established which identify with the social and economic factors within a company’s working environment. Because of these factors, Luftman, quoting Edgar Shein, identifies organizational culture as a significant force in resisting change.

Consequently, change management is focused on understanding the complexities of these relationships and motivating people to change in order to support new organizational paradigms in the context of business transformation and process re-engineering efforts. Robert Kriegel and David Brandt discuss the importance of effective change management in their book *Sacred Cows Make the Best Burgers (1996)* through their assertions that, “overcoming resistance (to change) is about neutralizing negativity. Motivation is about lighting a fire. When people are burning with enthusiasm, they’ll take risks, go the extra mile, and fully commit themselves to change”. Therefore, change management engages well-defined processes and tactics for controlling and influencing the pace and acceptance of organizational change through effective communication, education and implementation of new organizational strategies in an approach that allows people to identify with the need for change and internalize the new processes.

Issues Related to Technology

Changes in technology pose significant challenges for organizational change management due to the complexities and dynamics involved with various components of information technology projects. IT projects involve not only technology, which in itself can be intimidating to some people, but it also includes elements of business process, workflow, control, and the exposure of information. This makes organizational changes that involve IT to be potentially threatening to a company's culture and counter intuitive since they are often initially seen as intrusive, redundant, and not relevant to an individual's specific job function. This idea is reinforced by Luftman as he concludes that, "the rollout of information systems threatens people in organizations on many levels. It introduces new procedures that interfere with the organizational norms, new technologies that create fear of the unknown, and new power relationships that upset the hierarchy".

When technology changes occur within an organization, the typical response can often be negative due to the fact that personnel, process and procedural changes will likely coincide with changes in technology such as hardware, software and systems. Daryl Connor, in *Managing at the Speed of Change*, analyzes this negative response and its contributing factors as a process which is defined by seven stages that include immobilization, denial, anger, bargaining, depression, testing and acceptance (1992). During immobilization, an emotional response is generated which shocks the system and prompts defense mechanisms to be engaged in response to the new technology threats. Then, denial takes hold as constituents formulate an approach of waiting out the technology movement as they believe that it will fade over time like so many other corporate initiatives. This response is followed by anger when employees see the technology being implemented around them, and they feel helpless to control the process or movement.

Now that the implementation has become real to them, the constituents start to engage in bargaining as their feedback is now being solicited as to the changes in technology, and they feel that they need to contribute to the process to mitigate its potential impact on their status quo. If not addressed properly, feelings of depression can follow this stage if employees feel helpless in the process and unable to influence or accept the new changes in a positive manner. Eventually, people will start to adjust to the new system as they test their ability to adapt to the changes and exert positive influences on the process. Finally, after the processes of denial, confrontation, anger and negotiation, people will begin to accept the change as they begin to personally see the benefits associated with the change at a personal level, and they embrace the new technology and processes going forward now that they have accepted the premise that the change is permanent. The purpose of change management is to compress this cycle while exerting positive influence.

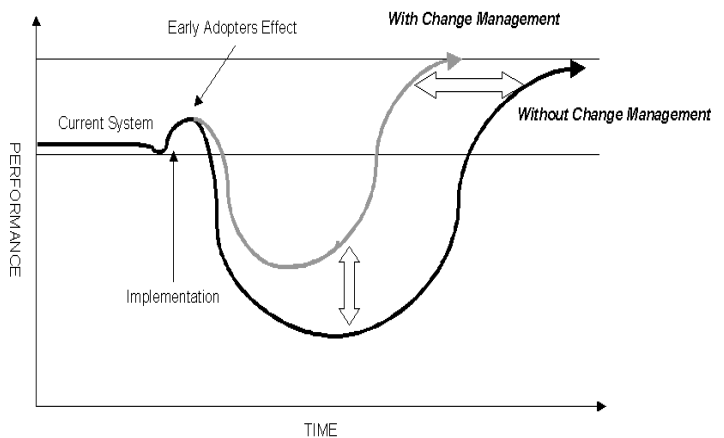
As long as technology and processes integrate people, there will always be some levels of resistance to change due to feelings of loss of control, technical inadequacy, uncertainty, surprise, resentment, job loss/replacement, competition, and more work. These challenges can pose serious risks and roadblocks to an organization's ability to successfully implement technology change, especially if not managed correctly with a well designed and methodical approach.

A Change Management Approach

In their book, *Re-engineering the Corporation, A Manifesto for Business Revolution (2003)*, authors Michael Hammer and James Champy outline the keys to a successful change management approach in their submission that change management is not a war won in a single battle; moreover, it is a sales campaign involving constant and consistent education and communications that begin with the realization that change is required and doesn't finish until well after the redesigned processes have been put into place. As such, a well-designed change management approach needs to incorporate strong principles of education, training and communications at the heart of its overall strategy and methodology. The Lewin-Shein model for managing change through IT provides a framework for building a change management plan which establishes motivations for change, identifies impediments to change, and organizes defined objectives for the change management strategy which include planned communications, a formalized implementation plan with ownership allocations, risk management tactics, and reinforcement activities to ensure that changes are internalized throughout the organization and lingering resistance is eliminated (Luftman, 2004).

To maximize the success of this change management strategy and mitigate change management

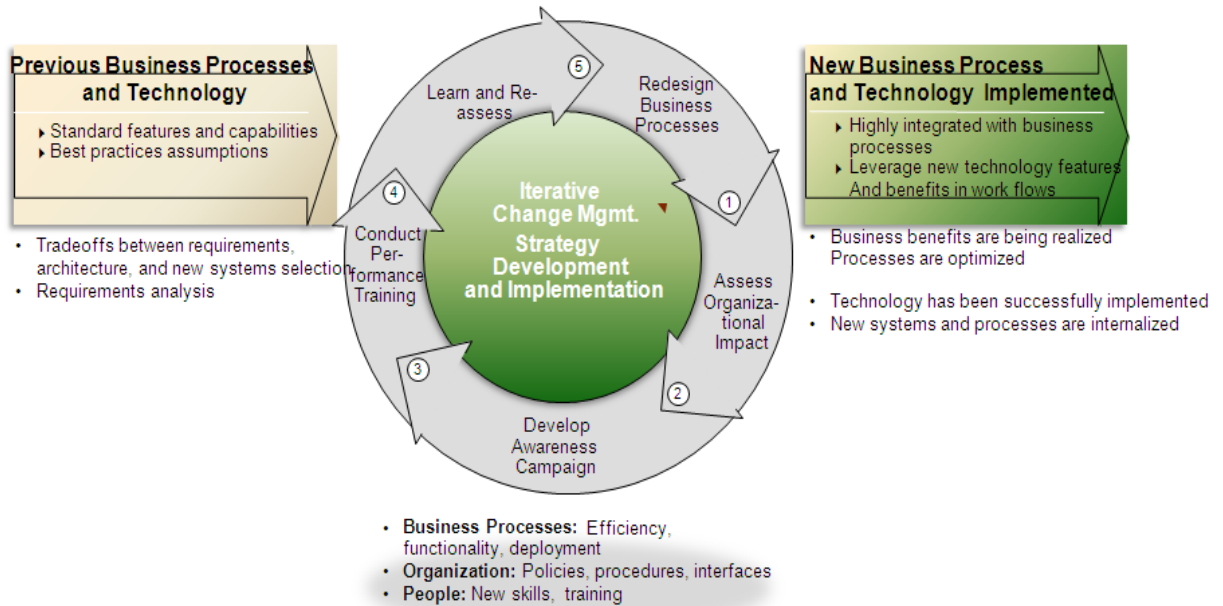
issues, an effective change management program must be established which will focus on the following key elements: redesign/design of the new business processes to the desired business and IT functionality, assessment of the impact of implementing the new processes on the relevant aspects of the organization, implementation of an awareness program across the entire organization to communicate the new changes and create a sense of ownership, conducting performance based training to allow users to implement the new workforce and change requirements, and engagement in continuous analysis on the impact of the change programs while taking corrective measures.



The goal of this change management approach is to ensure the successful transition from the current systems and processes to the new system and associated processes. Any change is disruptive to an organization. Implementing a change management program is a major initiative that will result in some disruption to the organization's performance. In order to be successful, a change management program must adhere to the following critical success factors which are minimize fears, create sponsorship and ownership, enhance communication, provide education, maximize performance and rollout the initiative with sufficient resources and planning.

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Change Management Approach



Furthermore, in addition to various business units, different constituencies within the organization should also be represented to provide group leadership and ensure that all end user communities are actively involved since they are more likely to understand how the current processes are actually being performed, which can vary from how they are supposed to be completed according to defined company policies and procedures. This can prove to be a very insightful exercise within the change management process as this often leads to awareness of the need for change as inconsistencies, waste and process redundancies are uncovered.

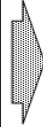
By incorporating the right resources into the implementation of the change management strategy, end user acceptance will increase and project benefits will be realized through the establishment of solid project leaders and role models for the organization, greater adherence to project schedule and budget due to lower levels of change resistance, enhance organizational benefits from the impact of new innovations derived from the collective input of user community, and a mutual respect and sense of purpose to achieve the accepted common goal. These factors along with team building techniques and events can enable an organization to achieve their change management strategy provided that enough resources are secured and dedicated upfront in the project’s lifecycle and remain committed to its success throughout implementation and rollout.

Lastly, organizational change management requires the incorporation of a consistent and effective communications strategy to achieve success which creates awareness, builds a consensus for change and manages employee’s expectations throughout the process. Effective change management communications provide an understanding of the need for change and the new vision so that all stakeholders understand the reason for the new processes and IT systems. This includes the

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consequences of the proposed change, the stakeholders' roles in the implementation, and linking the message to the strategic purpose and direction of the organization so that employees will understand the need for implementing the technology.

Change Management Strategic Goals

KEY SUCCESS FACTORS	TASK	DESCRIPTION
<ul style="list-style-type: none"> • Provide focused, strategic context: compelling business need, reason why • Use few messages, many messengers: consistent messages, varied vehicles • Target audiences: precise audiences (groups impacted by the change) defined and needs prioritized. Individuals are involved in assessing relevance of messages • Integrate cross-functionally: deliver consistently timed messages across the organization • Feature multiple vehicles: feature a menu of options that appeal to a variety of groups, preferences, learning styles • Repeat, repeat, repeat: through intermittent repetition, people learn, and absorb key messages. • Cultivate behavioral change: by clearly communicating the compelling need to change, and by integrating change management principles 		Assess <ul style="list-style-type: none"> • Assess past communications • Leverage results from impact assessment • Analyze assessment results to determine communications goals and objectives
	Plan <ul style="list-style-type: none"> • Define goals and objectives • Identify audience and define purpose • Select vehicles / delivery channels and frequency 	
	Develop <ul style="list-style-type: none"> • Write communications plan • Coordinate delivery logistics • Ensure communication milestones fit the program's timeline 	
	Implement <ul style="list-style-type: none"> • Delivery communications according to schedule • Deliver feedback mechanisms as appropriate • Measure results and impact 	

In addition, a consistent policy helps to promote acceptance and enthusiasm for the changes necessary to move the organization forward and allows the opportunity for selective input to the change process. This input will enable the change management team to identify the most effective communication vehicles and channels for establishing two-way communications with stakeholders and gives them a sense of inclusion into the process, thereby ensuring the project's success and effectively mitigates change management risk.

ASSESS IMPACT ON:	
Tasks / Skills Requirement of Employees:	<ul style="list-style-type: none"> • The required competencies to accomplish work using the new applications • New job description and training requirements • Employee empowerment
Work Unit Culture / People:	<ul style="list-style-type: none"> • The collective current impressions and expectations of the procurement staff with respect to the new changes • Outcome of individual performance
External Environment / Interfaces:	<ul style="list-style-type: none"> • The ability to effectively conduct business with external stakeholders • Linkages with other business processes and degree of cross departmental collaboration
Leadership / Management Practices:	<ul style="list-style-type: none"> • The roles of senior leadership in supporting adoption of the new technology/process • The best way to articulate the strategic fit of the new system and processes • Rewards and incentive programs • The outcome or results as well as indicator of achievements

Change Management Core Concepts

While the concepts and expressions may differ slightly, the change management terms referenced in this document agree on the following fundamental definitions of Organizational Change Management:

- **Change Management** – The term "change management" is more commonly, and increasingly, associated with total organizational change programs, vice changes to any one particular business process.
 - To apply a systematic approach to helping the individuals impacted by "the change" to be successful by building support, addressing resistance and developing the required knowledge and ability to implement the change (managing the 'people' side of the change)
 - The process of tracking and monitoring changes in order to maintain control and understand the technical progress toward delivering an acceptable end-user product.
 - A systematic process of taking into account the global conditions affecting an organization, as well as specific conditions in the organization. The change management methodology examines the current environment with respect to organization culture, communication, organization design, job design, infrastructure, personnel, skills and knowledge, people/machine interfaces, and incentive systems. (Brandenburg & Binder, 1992, p. 667)
 - "The change" To improve the organization in some fashion - for instance reducing costs, improving revenues, solving problems, seizing opportunities, aligning work and strategy, streamlining information flow within the organization
 - **Change Management System** - Is a structured process that will cause proposed changes to be reviewed for technical and business readiness in a consistent manner that can be relaxed or tightened to adjust to business needs and experiences.
 - Could involve a database to help staff make better decisions about future changes based on historical data such as success or failure of similar changes.
 - Is a structured process that will communicate the status and existence of changes to all affected parties.
 - Could yield an inventory system that indicates what and when actions were taken that affected status of key resources, as an aid in problem determination or resource management.
 - **Project management** - To develop a set of specific plans and actions to achieve "the change" given time, cost and scope constraints and to utilize resources effectively (managing the 'technical' side of the change)
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Conclusion

Organizations are complex entities that require constant nurturing and development in order to sustain growth and achieve maturity. Effective communication and organization change management practices and policies are essential to ensuring that organizations continue their development and are able to build and deliver on their strategies for growth. In order to establish a vision and direction in which to lead an organization, leaders need to be able to influence a company's strategy as well as make sound decisions. The research outlined in this paper will help to further a leader's understanding of the decision making process and create awareness as to the cognitive functions, processes, models and styles associated with building influence and strategy to affect change within organization.

By increasing their understanding of the functions of the change management process, leaders will enhance their own level of awareness with respect to the decision making process, end user acceptance, and the impact of change to the organization's stakeholder community. This awareness will help them to better identify opportunities for growth and recognize the potential impacts to the organization and its communities during an evaluation process so that appropriate IT strategies can be identified and deployed. This increased understanding of the change management process will provide leaders with the aptitude to approach the process with enlightened meaning, and it will guide them in implementing the most appropriate decision model and risk mitigation plan for a particular situation. By selecting the most appropriate decision model, leaders will be able to maximize their ability to influence change in an organization's strategy development and implementation process. Thoroughly understanding the methods and mechanics of each model will be indispensable to leaders in helping them to position their ideas and alternatives, and it will positively impact their ability to address organizational IT decisions with a strategic approach that is characterized by a heightened level of consciousness and adoption.

Ultimately, this research will create increased awareness as to the complexities and dynamics of the change management and risk mitigation process which will enable leaders to select the most appropriate model for analyzing a decision. It will also increase their understanding of how their decisions impact other stakeholders in the organization, fosters their ability to create influence and acceptance of their ideas, and improves their ability to implement strategies and mitigate the influence of other alternatives or the status quo.

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About the Authors

About Mastech, Inc.

Headquartered in Pittsburgh, Pennsylvania, Mastech, Inc. (Mastech) is a public company (AMEX:MHH) that has annual revenues in excess of \$70 million and operates a worldwide network of technology & healthcare services business units, with over 450 employees in 3 countries worldwide. For over two decades, Mastech has delivered world-class consulting services to end-clients, system integrators, and independent software vendors. We continue to provide functional and technical resources around the world to clients in industries such as, Transportation, Manufacturing, Consumer Products, Financial Services (Asset Management, Leasing, Banking, Insurance, and Securities), Healthcare/Pharmaceutical, Public Sector and Utilities, High Technology, Retail and Distribution, Media and Entertainment.

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BIO

Kevin Kutzavitch

Vice President, Enterprise Technology Services

Mr. Kutzavitch oversees Mastech's commercial, integrator, and public sector business units—the company's fastest growing business units, which have grown to over \$25M in three years. Kutzavitch joined Mastech in 2000 as an ERP business development executive supporting the IBM relationship, and through his leadership, Mastech's System Integrator and Public Sector Division has established itself as a premier consulting partner to government agencies, as well as to IBM, Oracle, SAP, and other leading technology vendors. Mr. Kutzavitch has over 17 years of sales, marketing, business consulting and management experience across various industry verticals such as insurance, financial services, public sector, services, and small and medium business. Prior to joining Mastech, Kutzavitch served as a managing principal and business consultant for a Fortune 500 consulting firm. He holds a B.S. in Finance and Accounting and a Masters of Science Degree in Leadership and Information Technology Management from Duquesne University.