What is change management and why is it important?

An overview of change management and the seven precepts that can help every SAP project

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(Full bio appears on page 92.)

Software developers tend to think of end users as an extension of the software. They see the primary goal of an implementation as getting end users to perform according to software requirements. In reality, it's the other way around. The people who have to use an application don't understand what the software expects of them; however, they *do* have expectations of what the software should do for them.

Change management, then, is the process of matching the expectations of those affected by the software to the results they are receiving. As John Naisbitt, the futurist author of international bestsellers *Megatrends* and *Re-inventing the Corporation*, said, "People need to be involved in the decisions that affect them" — to which I add the following afterthought, particularly true in today's corporate environment: "especially if those decisions have already been made for them." Ultimately, we all make these decisions for ourselves, either actively or passively.

Note!

This article uses the term "change management" in the context of project and organizational management. In this context, the term refers to managing the effects of change on end users during a new implementation.[1] This is not to be confused with the technical context in which SAP uses the term, in which case it refers to managing configuration changes to the SAP system using tools such as SAP Solution Manager.

[1] See http://pmpedia.com/wiki/index.php?title=Organizational_Change_Management.

Change management helps people decide whether a given project or effort is good for them. If you as a project manager don't start from that perspective, but rather begin thinking in terms of user acceptance or user involvement, you're already defining the project around the software solution rather than the users. The golden rule is to think of those affected by a project as human beings with a will and a right to be treated as you would want to be treated if you were in their position.

Every project has to be approached as a people solution, not a software solution. Almost every ERP, Customer Relationship Management (CRM), or other information-based system — even when the business is involved — drives toward a go-live date and, to that end, plods through the steps of getting everyone trained, ready, and aware of what's going to happen to them. The project leaders tell those affected by the application or system that it's good for them and for their jobs. One example of the worst kind of change management philosophy is, "The end users will change, or the project will change the end users." People are not input/output transactions.

This article provides an overview of change management and the seven precepts that you must address when considering a specific SAP project. You will also find advice to help you avoid the change management pitfalls that have derailed many projects, such as having a good communication approach, having good knowledge transfer, developing the right skill sets for the new implementation, finding the right structure for your organization, and assembling the right project team. To help make this information more real, I share with you the technique we apply at RWD Technologies to root out risk at the beginning of a project.

As a follow-up to this article, my second article "Performing change management tasks during each phase of an SAP project to achieve the greatest ROI and ensure successful implementation" on page 93 of this issue of *SAP Professional Journal* maps typical change management tasks to the phases of an SAP implementation project that is based on the AcceleratedSAP (ASAP) implementation methodology. Along the way, I provide bits of advice — best practices, if you will — that are the result of almost 30 years of experience in business strategy and organizational change.

Although these articles represent my own approach, I have included examples from RWD Technologies and others. I think project managers and stakeholders, especially executive sponsors, as well as technical people involved in projects can benefit from understanding change management and applying the seven precepts to any SAP project.

To get started, I am going to explain a formula that I developed and use to measure the task ahead of me when faced with managing change that results from an SAP project.

The change management source code

Every project must come to grips with the human element. Change always provokes some kind of reaction — fear in some, stress in others, even welcome anticipation in others. There are ways to anticipate the effects of change, to estimate whether those effects will be positive or negative, and to manage your project accordingly.

From the outset, you can apply a simple formula to any project and get a general idea of how much of a challenge you face in managing change. I call it the "change management source code." It follows a simple formula:

$$C = \frac{AxBxD}{E}$$

You can distill almost any change management activity into the quotients of this formula. The variables are defined as follows:

C = the degree to which the clearly defined change is successful

C is a function of

A = the desirability of the new vision or goal

multiplied by

B = the dissatisfaction with the status quo

multiplied by

D = the practical steps, tools, methodology, and so on, available to get you from B to A

then divided by

E = effort, energy, trauma, and cost involved in achieving the clearly defined change

While this formula may seem to be common sense, it, like the board game Othello, "takes a minute to learn and a lifetime to master." Applying this formula as a diagnostic and planning principle from the corporate bottom line through the organization's geographic/divisional/departmental/functional dimensions to each individual requires a high-level ability to resolve complex issues. If you look at each variable more carefully, that complexity becomes evident:

- **C**, the measurement for successful change, requires understanding the distinction between looking at your project as implementing an ERP system versus transforming your business model and approach to the market to remain competitive. How you look at your project in relation to those directly affected helps to scope and to provide context for the effort and motivation required for the change itself. A poorly defined change is likely to limit your outcome and the ability of others to understand and commit to it.
- **A**, the variable for a new vision or goal, provides inspiration for what the new world will look like when you've successfully made the necessary changes. Finding a statement, or benefits message, that is mutually appealing to all the constituents can be tricky, so the message may differ for different audiences and diverse parts of the business.
- **B**, the variable for dissatisfaction, answers the questions, "Why change?" and "What's in it for me?" Left unanswered, these questions can stop a change program in its tracks. Is there really a burning issue here, or can we wait this out (i.e., "This, too, shall pass!")?
- **D**, the variable for practical steps, tools, and methodology makes it clear that without real support, a robust project management approach, tools, training, communication plan, and so on, a change management initiative can turn into a frustrating exercise in futility. This is the "how" part of the change, and it requires experienced practitioners with the expertise to effect change smoothly.

Note!

If you assign the value zero (0) to any of the variables above the divisor in my change management source code formula, the product of all three equals zero. In other words, without a compelling vision you get only chaos, without dissatisfaction you get irrelevance, and without practical steps you get only frustration.

- **E**, the variable for effort, energy, trauma, and cost, can make even the strongest project fail. Even when there's a clear case for change (above the divisor), change that requires too much effort from an individual or group or too much cash from a business can be less than 100% effective. If the trauma and disruption to a person's comfort zone or value system are great, the value in the denominator of the formula will be too high and at best you will achieve only fractional change.

I use this source code as a diagnostic tool when change isn't going as planned. It's a way to ask, "What factors at what level in the organization aren't right?" Then, I turn it around and use it as a planning tool to ensure that the right elements are in place and balanced to drive change across the board.

Why is change management so hard?

One thing that makes change management so difficult is that it is counterintuitive to the technical requirements process. The underlying assumption made by

world-class process and software developers is that if the software is right, people rationally will grasp it and implement accordingly.

This assumption creates a blind spot that afflicts all software companies and becomes a change management consideration against which the implementing company must guard. No matter how good the process applications are, they are worthless until people accept them as a better way to do their work to fulfill their roles within the value systems they know and on some level cherish.

The seven change management precepts

Now that you understand what kind of challenge you face with regard to your project and change management, you need to know what you have at your disposal to make your change management initiative effective. What follows are the seven precepts for effective change management, or in other words, drivers that can help strategically align the business process with the technical infrastructure. Every change management campaign must address each of them. The actual "how" or the timing of each can change depending on the consultant you hire or the type of project. However, there are systematic change management precepts that represent the seven truths, and they always should be present in any SAP project (**Figure 1**):

1. Leadership alignment
2. Communication architecture
3. Knowledge management and organizational learning
4. Performance management
5. Competency development
6. Organizational structure
7. Team development

Let's look at each of these precepts and how they can help.

Leadership alignment

Every SAP implementation starts at the top. It's a cliché, but that doesn't make it any less true. Management tends to focus on what an SAP project will do for the fortunes of the company, and it communicates the same to the people affected. Mass emails are carefully crafted and sent out to the entire company explaining, "If we don't do this, our stock price will fall." Then everyone is surprised when the communication falls on deaf ears. Employees, while concerned about the future of the company, are more focused on their own interests; therefore, leadership campaigns should be designed around why people go to work and how the outcome of the project will help make their life at work more rewarding.

I once worked with a university president who showed up at the kick-off meeting for an ERP project with a student who had come from an inner-city school. The president described her background and said she had received a national award for academic achievement. Then he wished her well. The audience of employees looked around, wondering if they had

Figure 1 The seven change management precepts

come to the right meeting. The president told them, "This is what we are all dedicated to, the education of students, especially bringing in at-risk students and making them highly successful. Our whole ability to do that is in jeopardy because we've grown too complex and our systems are out-of-date. We're spending more time on paperwork than on the education of our students. This project will allow us to get back to what we all came here to do — educate the students that come to our fine institution!" It was the best demonstration of leadership I've ever seen.

Ensuring that both the "formal" leadership structures (those defined in the organizational chart) and the "informal" leadership network (the key influencers to whom everyone goes to find out whether this change is a good thing or a bad thing) have a clear understanding of their roles and responsibilities before, during, and after the project life cycle is essential. It's more than espousing the right messages; it's living the strategy. Selection and development of a balanced governance group with well-defined decision criteria is an asset that smoothes progress and milestone achievement throughout the project. For more information, see the "Identifying the informal network" sidebar.

Communication architecture

Change management is dependent on an ongoing, two-way dialogue between the project team and stakeholders. Every project has standard updates, but each project also needs to have a communication architecture in place.

This architecture segments each relevant stakeholder group with its given guidelines and schedule to communicate and hold people accountable for their deliverables. I'm not referring to technical project deliverables, but to the organizational transition communication pieces, with vital communications aimed at different levels of the company. Ensuring that the vehicles of communication are appropriate to the audience and testing what's really heard and reacted to require feedback loops that continually assess not just understanding, but also the effects people believe the project will have on their lives.[2]

[2] For more information on communication planning, see Evan J. Albright's article "Ensure the success of your SAP implementation projects through meaningful communication — a guide to creating a communications plan" (*SAP Professional Journal*, November/December 2005).

Identifying the informal network

Within every organization, there is that shadowy, informal leadership network consisting of those individuals who may not have the corner office or the key to the executive washroom, but who can help or hurt a project with but a single word over coffee in the break room. The ability to mobilize this informal group of leaders and to get them to share in the responsibility for its success can be worth 1,000 emails from the company's CEO.

We use a relatively simple technique to determine the informal influencers who can make or break a project. As we bring various groups of stakeholders together or hold discussions with stakeholder groups, we often ask, "To whom does everyone go to get things done?" Everyone knows who these people are, and they don't always appear on an organizational chart. In short order we are able to generate the list of "go-to" people who will make up our list of key influencers.* In the sidebar "Identifying and mitigating risks" on page 90, I explain how to employ this network for your change management initiative.

* For a detailed guide on how to identify your project stakeholders, see Doug D. Whittle's article "Use stakeholder maps to secure support for your SAP projects and ensure successful implementations" (*SAP Professional Journal*, September/October 2006).

Knowledge management and organizational learning

You can reenergize organizational communities by jumpstarting people's ability to learn from one another. Helping the organization as a whole to learn from the knowledge and experience contained within its various departments increases the go-power of the project.

In most projects, the project team becomes the primary "community of practice" for a new technology, so knowledge management and organizational learning become an exercise in how well the project team dispenses the lessons learned to everyone else. Other pockets of learning that may exist in the informal leadership network, disparate geographic locations, and other functions, departments, or divisions often are overlooked. An infrastructure must be in place so that the whole organization can benefit from one another's success stories, lessons learned, tools, and processes as it

Identifying and mitigating risks

Every project team should identify the risks of project failure at the outset and then generate strategies to mitigate those risks. Unfortunately, this process is usually given short shrift — much like user training — primarily because it's expensive and time-consuming. Many people think it requires lengthy interviews and a long, expensive process of having consultants analyze the data and present recommendations.

At RWD Technologies, our approach generates excellent results at a fraction of the typical time and cost. We call it the O^2 (Organizational Optimization, pronounced "O squared") process. This process brings together a large group of individuals — as many as 200 picked at random whose jobs the project will affect — as well as the group of informal influencers. We present a 60- to 90-minute project overview to these people. By the end of the presentation they understand the goals of the project, its timeline, why it's important to the company, and, most important, why it's important to them.

We arm the members of this audience with keypads and ask them to rate 52 different statements. We ask them to rank their past experience with change, whether they feel the organization supports the project ahead, and how they feel they will be affected, from among 52 determinants for a positive change experience. We've already identified the participants by their roles, longevity in the organization, division, and other demographic information.

We excuse the invitees and meet with the organization's informal leaders to analyze the data. We ask them why they believe the test group responded as it did and let them shuffle the data any way they want. We also spend time with the informal leaders to go over change management principles and talk about their influence in the organization. Then we use a communication exercise to look at difficult messages with the three types of stakeholders who either will help the project or hurt it — what we call "early adopters," "fence-sitters," and "subversives." In the exercise, we determine how to neutralize the subversives, excite the fence-sitters, and channel the energy of the early adopters. In the end, we gain excellent insights into the organization and the risks the project faces.

At RWD, we conduct this session four times during a project: first, at the beginning of the Blueprinting phase when people begin to understand what actually will change; second, during the Design and build phase after user testing, third, after Go-live, and finally, when the system has stabilized (Post go-live), to identify how to optimize the system and enable continuous improvement.*

* For more information on the AcceleratedSAP (ASAP) methodology phases mentioned here, see my article on page 93.

progresses through the project stages. Having an infrastructure or technical application to enable that knowledge sharing can keep things on track during the project and continuously improve the culture post go-live. For example, one practical and simple step is to create a Web site-based network so that "birds of a feather" groups can exchange ideas and success stories across geographical, functional, or level boundaries, and learn from one another's experiences.

Performance management

You need to determine whether the job incentives you have in place match the outcomes you want so people will perform their jobs differently. How can you measure productivity and customer satisfaction expectations? What detailed changes in dynamics can you expect for each job?

You also need to give people the context of the upstream and downstream requirements so they can appreciate how their transactions affect others. A key question is, "Are we measuring what we want?" — because you are most likely to get what you measure.

Competency development

Every project requires an impact analysis of the jobs that it will affect. This doesn't refer just to those jobs that will go away or be changed; it also includes those jobs that need to be upgraded because they require greater competence — whether it is new skills, additional experience, or longer seniority.

Competency development often equates to training plans in many projects, but beware of oversimplifying. The people who will fill these new roles require training not only in the new system, but also in the new business environment. They need to know what policy changes and process changes they can expect. The new jobs demand careful planning and preparation that start at the beginning of the project — not as an afterthought just before go-live. Understanding the gaps in skills, attitudes, knowledge, abilities, and base-level understanding is an essential starting point for all employee development plans.

Organizational structure

Every project needs a transition plan. One of the most difficult things to do is to examine each job, determine where the system will affect it, define the requirements for that job, and then map the people to the new jobs — whether they can fill that role, have the skills, backgrounds, or interest to continue, or whether they should be funneled into another job. This is one of the most complex organizational change processes. There's often a question about whether some employees can operate in this new environment. Mapping an assessment of the current skill level and how that skill level has to be enhanced to perform under new job requirements is a key part of the organizational structure that includes a transition plan to move employees in the direction of the new implementation.

You must conduct an impact analysis that looks at the potential policy, procedural, and, possibly, union impact each application may have that must be managed, negotiated, or changed as a result of the job changes. Sometimes, that's part of a transition plan or a separate plan. The best way to do that is to get the Human Resources department involved, because it must redefine the job requirements, performance management criteria, and pay grades. You need to initiate this analysis in the planning phase and implement it just before go-live and training begin, so people know why they need to learn new procedures to perform their new roles. For more information, see the "Postpone major organizational restructuring until after go-live" sidebar on page 92.

Team development

Team development is a critical step that often is overlooked. SAP applications provide more capability for sharing information at lower levels of the organization than ever before, enabling higher levels of collaboration at all levels. However, you need to establish a culture of collaboration or information-sharing in which diverse individuals work in team structures, share information, and get the job done with less hierarchical passing of information back and forth. If you can't develop teams or manage a team structure, you've wasted a good part of the investment that your SAP system requires.

Postpone major organizational restructuring until after go-live

I have an architect friend who designs university campuses. One of his guiding principles is that he never puts the sidewalks in until a year after the new section is open. He then puts the sidewalks where the worn paths are.

In the same way, I recommend that my clients wait to change their organizational structure until after they've had the opportunity to use and settle into any new business processes. You then can evaluate what about the old structure interferes with your new model and determine what new relationships you need for optimizing the performance of your new business model. Therefore, the time to look at major organizational changes is after the new system is up and running. Once you understand it and can perform with it, you can change your organization to take advantage of it.

To understand that dynamic you need to:

- Attend to team development aspects of the project team during the various stages of the project.
- Understand and document the benefits of high-performing teams, losing no time as a result.

Conclusion

The key to the whole outcome of any project is to focus the change management effort on helping people make the right decisions for themselves so that the application processes become self-serving. Working with both formal and informal leaders to guide that self-discovery process is critical and makes the job that much simpler. Keep in mind that communication must appeal to, catch the attention of, and convince the various audiences of the project, allowing for lots of dialogue. This approach can drive the stakeholders and stakeholder groups to do what the "techies" are trying so hard to accomplish — get people to adopt the new processes and tools. When you design a technology project management life cycle around people's needs, rather than the other way around, change management becomes easier.

It's much like the story of the father who, after several interruptions by his little girl, gave her a task he assumed would keep her occupied for hours. He tore up a picture of a map of the world into little pieces and told her it was a puzzle for her to put together. When she returned 10 minutes later with the puzzle completed, he was amazed. "How were you able to do that so quickly?"

"Oh, it was easy," she said. "There was a picture of some people on the back of the map, so I turned over all the pieces and put the people together. When I got the people right, the world just came together."

In my second article, which begins on the next page, I map typical change management tasks to the ASAP methodology phases used in SAP implementation projects to help prepare you to successfully manage the change that comes with all projects.

Gerhard Friedrich's 15 years at Digital Equipment Corporation taught him that concern for people and technology can coexist quite well. While at MIT's Sloan School of Management as a visiting behavioral scientist, he was able to influence how to take artificial intelligence (AI) research into real-life experience. Gerhard spent several years as a licensed psychotherapist, learning how difficult change is for some individuals (including himself) and how complex the human "systems" are. At Computer Sciences Corporation and PricewaterhouseCoopers, he helped others struggling to achieve the right balance between people, process, and technology change, so they could move their companies forward. At SAP America, he helped manage change when SAP repositioned itself from selling applications to selling solutions. Today, Gerhard is an executive consultant with RWD Technologies, a "Powered by SAP NetWeaver" company for SAP end-user training, performance support, and organizational change management. You can reach him at GFriedrich@RWD.com.

