Why a business case for change management

IBM

Contents

Executive summary

In order for companies to be competitive, they need to innovate, stay relevant to their customers and expand their footprint into new or emerging markets. In order to achieve this and establish a successful enterprise-wide transformation, companies need the following:

- A strategic vision that states the compelling reason for change and outlines the future state.
- A business strategy that serves as a clear roadmap to achieve the vision goals and objectives.
- A robust and actionable business case that depicts the tangible value of change across various levels of the organization and the "people" dimension of competitive advantage and serves as a key execution linkage between the company's vision and strategy to operationalize and optimize the transformation.

The actionable business case serves as a key input, which delineates the case for change and articulates change in a meaningful way for employees and stakeholder groups. The actionable business case is an essential tool for executives in making a compelling case for change and communicating the vision for company-wide transformation. We believe that executives can use the IBM Better Change actionable business case, linking strategy to people, process and technology, to develop the optimal roadmap for their company – one that leads to value and holds people accountable for the changes needed to achieve the targeted business goals and benefits.

From a change management perspective, the actionable business case should be used when you: 1) need to effectively position the value proposition of change management, 2) experience challenges making the case for change management, and 3) need help to secure funding for change management initiatives.

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Introduction

The IBM Better Change methodology is a robust, structured framework delivered by IBM Global Business Services to address a range of organizational change management (OCM) needs, from transformational change to more operational and tactical change. It consists of a suite of tools, templates, and thought leadership across several enablers or categories of change. This comprehensive methodology helps users effectively manage change to ensure the success of a project and its delivery of business benefits. The Better Change method is scalable, adaptable and centered on value realization, which is a recognized IBM differentiator in business transformation.

Source: IDC 2013.

Figure 1: **IDC Marketscape findings identify IBM as a leader in organizational and change consulting services.**

IBM's Better Change methodology has been ranked by International Data Corp. (IDC), the premier global market intelligence firm, as a worldwide leader in organization and change consulting and the number one company in thought leadership.[2] As we continue to evolve and improve as thought leaders we recognize that the case for change management, like other professional services, is a discipline whose suite of offerings and its value, needs to be better articulated to organizations.

Can change management practitioners use the Better Change actionable business case approach as a way to secure funding and commitment to manage the people side of change?

This white paper presents insights on using the Better Change actionable business case as a tool to cultivate buy-in for integrating change management techniques into a business transformation project.

The difference between transformation and change

In today's market, companies that change may survive, but companies that transform thrive. Change refers to incremental or small-scale adaptations. For example, when an organization updates human resource policies or retires outdated tools, this company is undergoing change. Transformation refers to extensive change that can greatly improve the future landscape of an organization. When a company establishes a new business model—for example, transitioning from regional shared services to globally integrated business services or replaces manual processes with an automated system, this large-scale effort is referred to as transformation.

Although the terms "change" and "transformation" are used interchangeably, the difference is in the magnitude of change. A true transformation addresses multiple dimensions of large-scale change, including but not limited to an organization's processes, technology, and business model.
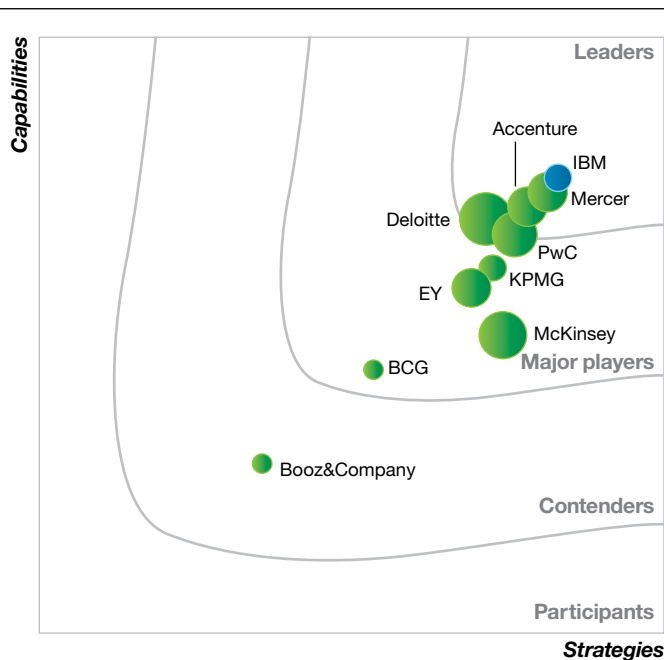
Further, transformation requires a large investment in resources and ownership, so that the company has a vested interest and stake in the transformation. Transformational change has another important component: sustainability. A company's ability to sustain changes, after a transformation initiative has ended is critical to a project's overall success.

Companies that transform think about their organization's vision and long-term trajectory. They think about transformation as a journey—an evolution that allows them to stay competitive and continue to grow. An organization's transformation journey consists of a series of changes that affect its culture, the mindset of its workforce, and its future as an organization.

Change management plays an integral role in the success of a transformation initiative. IBM's Better Change method establishes a systematic approach to transformation with six key categories or enablers linked to Value Realization. This framework provides a comprehensive suite of change management activities, from strategic to operational, to support transformation, adoption, and acceptance from end-users on the new ways of doing business.

The Transformation Continuum was developed based on IBM's extensive experience delivering Enterprise Resource Planning (ERP) transformations. The Transformation Continuum serves as a diagnostic tool to identify where a company is on the continuum, which helps determine the recommended change and learning services solution (see Figure 2). The left-hand side of the continuum depicts companies that are seeking to replace a system or upgrade it and are not interested in the organizational or process component. A company that is seeking an enterprise redesign, however, is focused on the true business transformation that consists of significant business model, process, and organizational changes, depicted on the right-hand side of the continuum. In this case, the actionable business case serves as the business strategy plan.

	"Automation" **System Replacement / Upgrade**	**"Harmonization"** **Enterprise Standardization**	**"Process"** **End-to-End Process Redesign**	**"Business Model"** **Organization Redesign**
Buyer	IT community	IT-Driven with functional representation	Functional leader-driven with IT leadership	C — Suite
Scope	Incremental, if any, process change with upgrade or implementation of technology platform	Standardization of data and transactions (typically on embedded best practices within the package) and consolidation of systems for a select business function(s)	Optimization of enterprise business processes with KPIs used to drive program direction.	Cross-functional program for paradigm-shifting Change necessitated by corporate strategic objectives and/or commitments to Wall Street
Success measures	Budget and Schedule	Budget, Schedule, and Functional Specifications — may have a business case, probably used to gain capital approval	Robust business case validated against specific process / industry benchmarks	Comprehensive business case including baselines and robust mechanisms to monitor throughout its lifecycle

"IT project"   *"Business transformation"*

Figure 2: **Transformation continuum from IT project to business transformation**

IBM's Better Change Framework defined

As highlighted in the introduction, IBM's Better Change framework serves as a comprehensive methodology for planning, developing, and delivering change management activities. This framework consists of six enablers or categories with Value Realization at the center of the model.

1. *Transformation Strategy and Management:* Focuses on identifying the key components of a change and learning program strategy to help the customer obtain transformational benefits and align the company's objectives and vision.
2. *Change Leadership:* Provides a suite of tools for change management practitioners to leverage in order to build and maintain executive buy-in as well as a governance framework to support the project's success.
3. *Stakeholder Engagement and Communications:* Establishes employee awareness and understanding in order to promote adoption and acceptance for the transformation and identifies, analyzes, and engages key, influential stakeholders throughout the transformation in order to gain their support and maintain it throughout the project.
4. *Organization Design:* Aligns an organization to the with new business model(s) and establishes a strategy to optimize work responsibilities, job structure, and related components needed to promote the new changes and business results.
5. *Skills and Knowledge:* Assesses and cultivates the skills and knowledge needed in an organization, develops and executes a training strategy and plan.
6. *Culture Transformation:* Improves an organization's performance and accelerates transformational value realization by establishing a common vision of its culture to promote its objectives and manages the transition to the new behaviors and ways of working.

Figure 3: **IBM Better Change methodology**

Key OCM challenges in driving transformation

OCM practitioners, both at IBM and in the market, face three primary challenges in selling OCM offerings.

First, some companies have not heard of OCM or do not understand the full extent of change management. In some cases, companies have not had any exposure to the potential benefits of change management. If the case for change management is not clearly articulated and tailored to the company during the sales pursuit, then the company will not realize the value of OCM. Second, some companies may not realize the integral role OCM plays in a project's success. These companies may have a myopic view of OCM, seeing it as primarily a communications tool, for example. The third type of challenge is related to companies that believe they can address OCM themselves, but ultimately do not understand the full scope of OCM that is required to make the transformation successful. Further, companies may allocate OCM resources that do not have change management experience to manage a large-scale initiative.
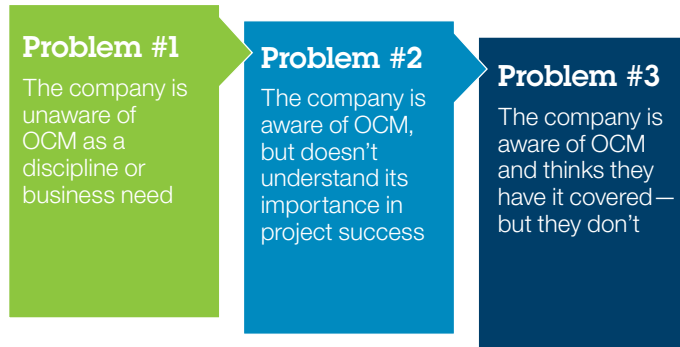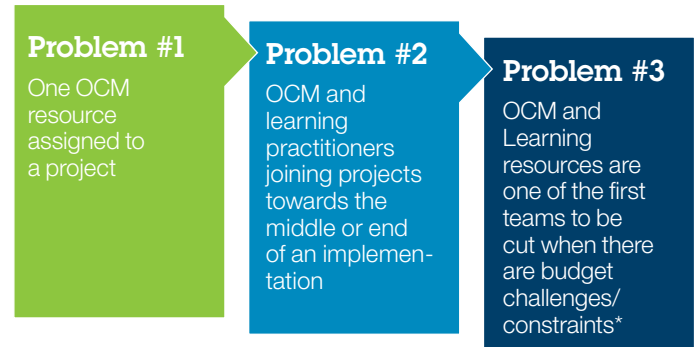
Problem #1
The company is unaware of OCM as a discipline or business need

Problem #2
The company is aware of OCM, but doesn't understand its importance in project success

Problem #3
The company is aware of OCM and thinks they have it covered— but they don't

Figure 4: OCM challenges during the pre-project phase.

Problem #1
One OCM resource assigned to a project

Problem #2
OCM and learning practitioners joining projects towards the middle or end of an implementation

Problem #3
OCM and Learning resources are one of the first teams to be cut when there are budget challenges/constraints*

*15-20% of the time, based on anecdotal evidence

Figure 5: OCM challenges during the project lifecycle.

OCM challenges during the lifecycle of a project

Once OCM and learning are a part of a project's scope, there are three key challenges that change management practitioners can face. First, based on the challenges referenced above in the sales pursuit, sometimes only one OCM resource is allocated to a project. Challenges also occur when OCM and learning practitioners join projects midstream, after teams have already started or are well underway. A third challenge is that OCM is often one of the first workstreams considered for reduction when there are budget constraints. Based on a considerable anecdotal assessment of large-scale projects, approximately 15 – 20 percent of the time, the OCM and training teams are one of the first slated for reduction to accommodate funding concerns. These project lifecycle challenges all relate to the company's perceived value of OCM. To promote change management adoption, companies must perceive OCM to be as critical as technical teams.

One way to address the challenge of change management practitioners joining a project midstream is to continually communicate the key OCM components and the corresponding value proposition needed for a transformation to be successful. For example, during the project-preparation and blueprint phases, the change program and communication strategies are developed. Leadership alignment workshops and stakeholder analyses are conducted to develop a stakeholder engagement plan. The stakeholder engagement plan can be executed during the blueprint phase along with the design and deployment of a change agent network.

Organization design is another key OCM workstream that should begin in the early phases of the project to validate the organization and job role design scope. In addition, the job role mapping approach and templates can be validated, and a current organization assessment can be performed. These deliverables represent a portion of the OCM components included in the IBM Better Change methodology.

The case for a new business case

In this economy, CEOs and CFOs are reluctant to approve large business or IT investments, often because technology vendors and consulting firms fail to demonstrate the business value that can be created by the investments. C-level executives are demanding a clear plan that illustrates the path to achieve business benefits, a path typically described by a business case.

Though the business case is a common tool for transformation projects, few change management practitioners have been exposed to business case development or have taken the step of translating the rationale and approach for change management into a formal business case. Further, business case specialists overlook the critical importance of change management as a

key enabler that aligns the business case benefits with the program's success criteria. An integrated approach to the business case for OCM is needed for transformation initiatives.

Traditional business cases include a cost-benefit analysis, an estimation of return on investment (ROI), risks, and assumptions sections. These business cases usually receive the required funding, but are often abandoned by the project or implementation team. Why? Often, it is because the path to value is not central to the traditional business case, resulting in huge dissatisfaction with the business case's overall approach, philosophy, and practice. Traditional business cases are simply not actionable—they omit the execution elements to transform a theoretical plan to the people-process-technology actions.
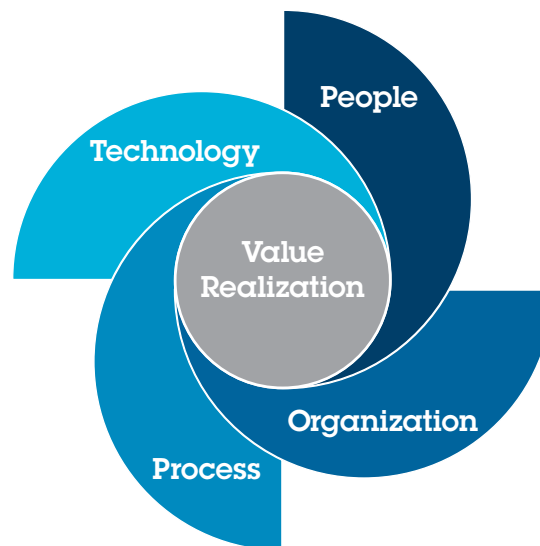
Illustrative example

Technology
- Non-integrated
- Not scalable
- Not empowering users
- Manual intervention
- Many End of Life systems
- Many "private" data stores
- "Shotgun" administration
- No formal Segregation of Duties (SoD)
- Limited availability of technical skills

Process
- Undocumented processes within / across departments
- Many manual process and non-value added activities
- Informal collaboration
- Few controls
- Missed milestones
- Customer satisfaction issues
- Excess scrap

People
- "Overworked" / Overtime
- Insufficient training
- Low job satisfaction
- Significant turnover
- Excess hiring to compensate for inefficiencies
- 3000 New Employees

Organization
- Siloed, no awareness of personal impact on rest of organization
- Much "tribal knowledge"
- Koito "arms-length" partner
- Business Strategy is not clear at all levels
- Global marketplace

Value Realization
- No existing VR competency / program
- Missed revenue opportunities
- JIT ≠JIC: Excess ("lost") inventory
- No incremental profit despite growth

Figure 6: **The actionable business case covers all major transformation dimensions**

The IBM Better Change model takes a revolutionary approach to business case development by positioning value realization at its core. The first milestone on the roadmap to value, the actionable business case is an integral tool for business transformation, covering the people, process, technology, and organization dimensions.

The Better Change actionable business case's supporting premise is that ultimate benefits realization, continuous value creation, and sustainable results are directly linked to the "people" dimension of transformation initiatives. People are the ones to change their processes, monitor the business improvements and attain the benefits. Moreover, the business case increases visibility and creates awareness to key change management workstreams, such as communications and training, and articulates the importance of these areas to the project's ultimate success factor: attaining maximum business benefits.

Actionable business case elements and differentiators

An actionable business case articulates the compelling reasons for establishing an initiative or project that will drive a decision-maker or decision-making board to take action. It requires executives to not only support the transformation, but also demonstrate clear commitment, both in words and in actions, throughout the transformation. Typically a well-structured, formal document, the actionable business case tells the story of an initiative from the beginning—what situation triggered the initiative, to the end, what benefit, value, or return is expected. An actionable business case is typically used to craft a unified vision, secure project funding, and obtain commitment.

The innovative actionable business case consists of seven key components:

1. *Executive summary:* Integrates change management with project management and value management so that intended project results and business outcomes are achieved.

2. *Pain points and change impact analysis:* Directly connects the results, business outcomes, and benefit realization of the project to the "people" aspects of change. People, after all, are the driving force in process and procedure compliance and are responsible for benefits realization.

3. *Solution:* Presents the holistic solution covering all five dimensions required for success: strategy, people, process, technology, and organization. Describes the benefits action plan needed to build a platform for sustainable, continuous corporate performance-improvement capabilities. Benefits realization and value creation are completely and ultimately dependent on user adoption, employee engagement and executive buy-in.

4. *Cost-benefit analysis:* Focuses on the delivery of project results and business outcomes yielding the expected ROI. Presents milestones, workstreams and measurements for change management. Operationalizes benefits realization by: (a) designing value-focused business processes, (b) measuring the processes through key performance indicators (KPIs) and value drivers, (c) assigning ownership to the KPIs and (d) leveraging the Value Realization Dashboard, which provides the insights for action planning when variances occur. (e) Establishing the Performance Governance to monitor value achievement

5. *Value path and deployment plan:* Solidifies the structured approach by integrating change management with the project's scope, objectives and work streams. Also maps change management milestones to existing project milestones through the go-live stage and beyond. The deployment plan describes the sequencing of solution implementation, rollout and other steps and presents a clear path to sustainable value attainment.

6. *Assumptions and risk assessment:* Presents the assumptions, risks and a mitigation plan that, to a large extent, depends on integrating change management.

7. *Conclusions and recommendations:* Presents concrete recommendations based on decades of intellectual capital regarding both business operations and solution enablement.

Based on the seven key building blocks outlined above, the actionable business case is at the heart of the IBM Value Realization method and follows the agile approach, allowing it to be dynamic and up-to-date throughout the lifecycle of the IT or business investment. In Figure 7, items A through C represent the key components of the actionable business case subject to ongoing updates, whereas items D through F represent the main components of value realization during and after project implementation. These six components depict the end-to-end Continuous Value Realization approach (see Figure 7).

As depicted in Figure 7, VR is predicated on linking the following: Improvement opportunities or pain points to the financial lever then to the value driver, followed by a business process then to KPI and dashboards, all of which enable the people in the organization to make better informed decision and continuously improve the business outcomes and performance.

The actionable business case demonstrates the rigor and criticality of change management as an essential element of business transformation. With this effective tool, practitioners can debunk the misperception of change management as a soft and fuzzy concept. Instead, practitioners can present change management as a robust, mission-critical discipline with a clear purpose and value that helps ensure a project success.

People and processes are inextricable because people redesign business processes and deliver the expected value. People deliver the benefits while navigating the roadmap to value. By presenting the approach and rationale of the "people" element of a transformation through a formal business case, change management practitioners gain credibility and deliver tangible value throughout the transformation.

The actionable business case also allows OCM practitioners to present change management in a medium that is familiar to the company. Project leaders and senior executives employ business cases frequently, in addition to business transformation elements such as scope, objectives, workstreams, milestones and so on. By positioning change management in a universal language, practitioners can convey a solution in a medium that the company is already accustomed to seeing and thereby increasing the likelihood of adoption.

From another perspective, the actionable business case is a powerful vehicle for presenting the rationale and approach for change management by addressing some of its most common challenges. The actionable business case provides the opportunity to respond to OCM challenges through education, "war stories," and demonstrable expertise, to ultimately become trusted advisors to the company by improving their shareholder value.

Figure 7: The Better Change method's Value Realization method depends on the actionable business case

There are four key differentiating factors for the actionable business case, outlined in Figure 8.

The Value Realization approach aligns the business case benefits to program's success criteria and often times enables the execution of the business strategy.

IBM's new value proposition for OCM

One of the main objectives of the IBM Better Change enablers and supporting modules is to increase value realization. The IBM Value Realization approach identifies and designs value into the transformation program, delivers value, and tracks value post-implementation, helping projects stay "on value." The methodology not only delivers the on-value element to program management but also makes substantial contributions to the traditional dimensions of being on time and on budget. According to an SAP Value Management

Figure 9. **IBM Better Change methodology**

Differentiating components of an IBM Better Change actionable business case	
Key factors	**Details**
1) Taking a transformation approach by integrating the people, process, technology and organization dimensions into the business case	• Links benefit attainment directly to the business strategy and its change management, or "people" dimension. People are the ones to change the business processes, review the KPIs and dashboards, and take actions to gain the proposed benefits • This approach provides education about IBM's various OCM offerings and their importance for sustainable benefits achievement • The approach incorporates an assessment of an organization's internal capacity for the change using fact-based analysis to demonstrate to the company that its current skills, resources, expertise and tools are not yet ready for the upcoming change • The actionable business case can effectively fend objections to OCM during the pre-project phase and even during the project cycle
2) Identifying the decision path & criteria	• Identify the decision path, steps and timeline throughout the interviews • Align executives on a clearly defined decision criteria • Discuss and address business units concerns, risks, and issue
3) Adopting a value-driven project-deployment roadmap	• The mix of location, business unit and solution-rollout plan is based on the expected business benefits • Business requirements, scope and WRICEF are managed and contained based on their connection to the expected business benefits
4) Presenting a clear path and roadmap to sustainable value attainment	• Serves as the foundational building block for the Value Realization approach, one that is actually used during and beyond implementations. This is not "shelfware." • Operationalizes the benefits-realization plan • Assigns Benefit Ownership • Recommends Corporate Performance Governance to track and monitor benefits • Links IT initiatives with corporate strategy and business objectives

Figure 8: **The differentiating factors supporting an actionable business case**

Survey in 2010, companies that apply a value realization approach complete projects at least twice as quickly and under budget by a factor of at least 1.9x, compared to companies that do not leverage this capability. In addition, companies employing the value realization approach increased business benefits by 160 percent.[3]

The primary objective of the Value Realization method is to build continuous value realization capabilities that enable organizations to experience sustainable business performance improvements. Figure 10 illustrates the value proposition of the IBM Value Realization approach: Improving (1) Benefits attainment, (2) Time to value, (3) Project cost and (4) Project risk. Details on this topic will be covered in our next white paper, *10x: The power of VR & OCM total integration*.

The Value Realization component of the Better Change method guides companies through their transformation journey by providing them with a roadmap to value. The roadmap to value is a clearly defined business improvement plan with a set of deliverables, ownership assignments, KPIs to monitor progress, and an action plan. Companies can use this roadmap to achieve sustained benefits from their IT and business investments. The actionable business case, which drives project decision-making, is key to value realization because it serves as the yardstick for what can be achieved by the transformation initiative. According to a 2012 McKinsey survey of 5,400 IT projects, they found that the key to success (in transformation) "lies in mastering a value-assurance methodology"[4]

The most common myth is that standard project-delivery approaches automatically lead to business benefits. Our experience demystifies the myth and clearly indicates that only direct, systemic and deliberate benefits-delivery-management enables the full realization of business value.

"Only 37% of companies measure the business value of their IT-enabled investments."
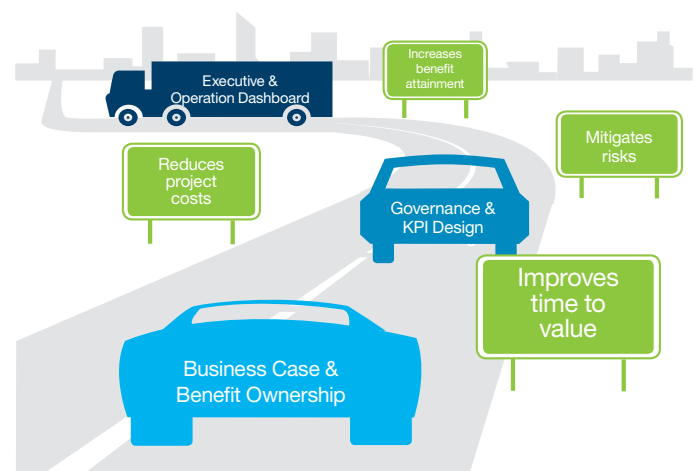(AMR Research, Feb. 2010)

Roadmap to Value

Figure 10: **The roadmap to value.**

Conclusion

The IBM Value Realization approach aligns the actionable business case's benefits to the business strategy and the program's success criteria, ensuring project success and sustainable benefits achievement.

Though there are numerous ways to tell the story of change management, the actionable business case is the most powerful. Because of the formality, structure, and familiarity of a business case, it can be the most effective tool for gaining support, commitment, and funding for change management. Presenting a formal business case for change management to project leaders and senior executives can earn change management practitioners the credibility needed to significantly influence a project's direction.

The ability for a company to sustain changes and continue to capture and increase savings, after a program ends, is a critical success factor of any engagement. The actionable business case, one that provides strong linkages to business strategy and vision, is essential for companies to implement true enterprise-wide transformation.

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