

Advances in Project Management Series¹

The value of business change management in projects

By Nicola Busby

It is an exciting time to be working in business change. Over the past few years interest in the profession has increased exponentially. Organisations who still struggle to realise the expected benefits of their changes, despite increasingly sophisticated project frameworks, are exploring its potential as the missing link to success. Job vacancies for business change managers are on the increase. The role itself is professionalising with representation from at least two global bodies, each of which has developed a change management Body of Knowledge. There are a number of accredited training and development paths for those who wish to enter and progress in the field. Alongside this are a wealth of consultancies who can support organisations going through change with bespoke approaches, methodologies, philosophies and frameworks. There is a lot of investment in business change right now.

My years of work, training and research in business change management leaves me convinced that the only way to introduce successful change into organisations is through a concentrated focus on the people involved. Therefore, I am thrilled about the increased interest in business change management. However, the rapid development of the profession is beginning to resemble a Chinese dragon – a small head at the front with a very long tail trailing along behind. The trailblazers are coming up with more and more sophisticated approaches, terminologies and frameworks for business change whilst a large percentage are struggling to keep up.

This means that many of those who should be benefitting from the increased investment in business change remain largely in ignorance about what business change management can achieve, or hold outdated assumptions about what it is and what it does. This seems to be true of both those working in organisations, which are experiencing change, and those working in the field of change itself – in the world of projects and programmes. Even business change managers don't always seem to be fully aware of how powerful their role can be, and how they are often the key to successful organisational change.

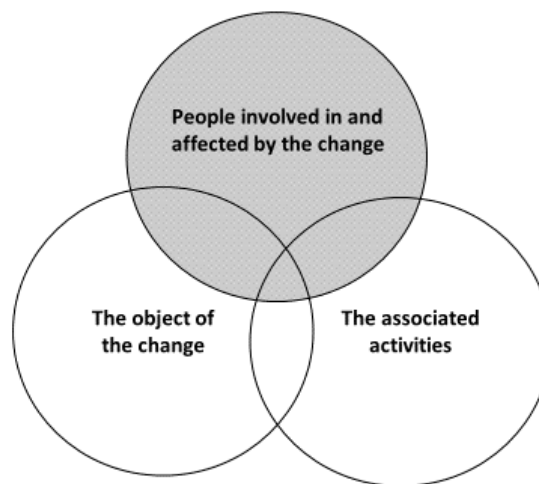
One common situation where people struggle is how to utilise business change management within projects. Most project managers expect to undertake some stakeholder engagement and communications as part of their role. In fact, project management best

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practice, training qualifications and bodies of knowledge are increasingly being revised to include people aspects of change. So, how and why can a business change manager add value to a project?

The scope of business change management in a project

There are generally three things to focus on in a project, as shown by the diagram below:



The object of the change is the thing that is changing. This could be anything from a software upgrade to a new target operating model, or a focus on a new customer segment.

The associated activities are the things that people will need to do differently to work with the object of the change successfully.

The people involved in the change. For change to be successful, every individual required to plan, make decisions and implement the change needs to be supportive and contribute effectively. Every user affected by the change needs to make the decision to participate and make the effort to do things differently. These are the areas which are the domain of the business change manager.

Organisational change is tough. It can be contentious, emotive, unpopular and sheer hard work. By its very nature, change often disturbs deep rooted values and cultures. It rarely benefits everyone it touches and often raises the tensions and insecurities which bubble just below the surface of many organisations. It is in these situations that business change managers really add value. They can build desire for change, overcome resistance, increase involvement and ownership and make people feel more positive about the change.

Positivity significantly increases the chances of the organisation accepting the change, embedding it and realising its benefits.

Obviously, some projects are not as contentious or challenging as others. Therefore, the degree to which business change intervention is needed varies widely. However, it is surprising how often a supposedly straightforward change can actually impact people in very deep ways. This is illustrated in the case study below.

Case Study: changing financial reporting systems at Fortisdown Energy²

Fortisdown Energy is a large energy company situated in the north east of England. Established in the 1960s, it develops alternative energy products and generates energy which is used to supply homes and businesses in the local area. It has a worldwide reputation as innovative and imaginative, producing world-leading research and development in the alternative energy sector.

Historically, Fortisdown has received large amounts of development funding from the UK government, in addition to significant research grants from other sources. It also generates a modest income from sales of its energy to the national grid.

The UK government has recently reduced its funding and has indicated that further reductions are likely. Research grants have also decreased, due in part to increased competition from newer alternative energy companies. Fortisdown is therefore facing severe budget shortfalls over the next few years.

In order to make up this shortfall in income, the CEO decided the entire company needs to become more efficient, and spending needs to become more transparent and brought under control.

The Change Initiative

To help with this efficiency drive, the executive team agreed to implement a new company-wide financial reporting system. The aims of this were to:

- increase transparency of financial interactions across Fortisdown in order to boost efficiency and reduce spend
- create management reports to help with financial forecasting and yearly budget setting

An off-the-shelf financial system was purchased and implementation commenced. The engagement plan developed by the project team focussed on informing people about the change, training all users in how to use the new system, and ensuring that everyone knew how to prepare to move from the old system to the new one.

² Some names and details have been altered to protect anonymity

As the project progressed, the project team began to meet a lot of resistance from users across the company, especially in the research and development teams. People did not engage in preparation activities and attendance at training sessions was low. Interaction with the project team was minimal and staff seemed reluctant to enter financial data into the new system. The project team began to doubt that the new system would be adopted fully across the company. This meant that, even if the system was implemented successfully onto the technology infrastructure, lack of use would lead to project failure – the benefits of the new system would not be realised.

Therefore, they brought in a business change manager to try and manage the resistance to the project. One of the first things she did was to analyse the culture of the organisation and research the circumstances leading up to the change project. She then undertook a thorough impact assessment for the project using the 7S model to analyse the impact of the change initiative on the company. The results were surprising to the project team.

What is the 7S Model?

The McKinsey 7S model (Waterman and Peters, 1982) is an effective tool to use for an impact assessment. It allows the impact of the change to be examined from seven different aspects of an organisation, as follows:

- 1 **Strategy:** the plan of how to run the organisation successfully;
- 2 **Structure:** organisation charts and who reports to whom;
- 3 **Systems:** formal processes and systems such as IT, rewards, and measurement;
- 4 **Style:** leadership styles found within the organisation;
- 5 **Staff:** the general capabilities of the staff;
- 6 **Skills:** the actual skills and competencies of everyone working for the company;
- 7 **Shared values:** the culture and core values of the organisation.

The real strength of the 7S model is that it focuses on the impact of the change on behaviours, culture, and values as well as the more tangible areas such as structures and systems. The more esoteric aspects of the organisation are often neglected during change, but it is vital to focus on them to minimise resistance and maximise the chances of successful benefits realisation.

To carry out an impact assessment using the 7S model, first analyse the differences the change will bring to the seven aspects of the organisation by:

- Listing what happens now – the current state;
- Identifying what is expected to happen after the change – the future state; and,
- Comparing the difference between the two – the gap.

Once this is completed, decide how significant the gap is for each of the seven aspects. A simple way to do this is to use the scale of high, medium, low, or no change. An overall picture of the impact of the change on the organisation can then be seen.

Fortisdown impact assessment

The table below shows the impact assessment completed by the business change manager for the Fortisdown financial system change.

7S aspect	Current State	Future State	Gap	Size of impact
Strategy	<i>Focus is on innovation and world-class research and development</i>	<i>Quality and type of research to be balanced with financial considerations</i>	<i>Need to understand financial impact of all work and prioritise accordingly</i>	<i>High</i>
Systems	<i>Financial reporting done on a range of systems across the organisation and to varying levels of detail</i> <i>No detailed management reporting on finances available</i>	<i>New financial system for entire organisation</i> <i>Detailed management reports will be available</i>	<i>New system to be implemented and old systems removed</i>	<i>Medium</i>
Structure	<i>Administrative roles input financial data in departments</i> <i>Central finance team sets budgets and monitors finances</i>	<i>Administrative roles continue to input data in departments</i> <i>Central finance team restructured in line with roles needed for new system</i>	<i>Restructured central finance team</i>	<i>Low</i>
Style	<i>Leadership focused on enabling high quality research and development</i> <i>Innovation encouraged and all resource constraints overcome</i> <i>Research and development projects regularly run over time and budget</i>	<i>Leadership focused on balancing quality with cost</i> <i>Financial implications of all decisions to be understood</i> <i>Projects to have strong governance and controls to prevent overrun and overspending</i>	<i>Move from innovation and quality at any cost to working within clear boundaries with tight controls</i> <i>Need to say no to ideas and projects, or constrain them due to cost implications</i>	<i>High</i>
Staff	<i>Capabilities in cutting-edge energy research and development</i>	<i>Capabilities in commercial, business-oriented thinking</i> <i>Increased financial and project management capabilities</i>	<i>Two new capabilities need to be introduced which will have equal importance to the capability in research and development</i>	<i>High</i>
Skills	<i>Strong skills in innovation, research and development</i> <i>Minimal skills in financial reporting and financial-</i>	<i>Strong skills in innovation, research and development</i> <i>Strong skills in financial reporting and commercial</i>	<i>Skills development needed in:</i> <i>Financial reporting</i>	<i>High</i>

	<i>focused decision making</i>	<i>decision making</i> <i>Skills needed in governing and controlling projects</i> <i>Technical skills in using new financial reporting system</i>	<i>Commercial decision making</i> <i>Governance and control of projects</i> <i>New financial system usage</i>	
Shared Values	<i>Pride in undertaking cutting-edge, world class research and development in alternative energy</i> <i>Success means overcoming all barriers to allow focus on research and development</i> <i>Resource constraints are a barrier and must be overcome</i>	<i>Pride in producing good quality research and development whilst maintaining a financially secure business</i> <i>Success means being commercially aware and using resources wisely and efficiently</i>	<i>Move from belief in innovation and quality at any cost to valuing good quality within a culture of efficiency and value for money</i>	<i>High</i>

What the impact assessment revealed

The impact assessment revealed that Fortisdown would be hugely impacted by the change, in ways initially unforeseen by the project team. They had been focusing on the practical aspects of the initiative – implementing the new system and training everyone in how to use it. However, these were shown by the impact assessment to be the lowest areas of impact for the organisation. The focus actually needed to be on the more intangible areas of culture, behaviours, capabilities and values, which would all be highly impacted by the change.

This seemingly straightforward software implementation project, once analysed in depth, is actually a major cultural change. The resistance experienced by the project team was a signal that the impact on end users was much greater than they initially thought. In the end, the project had to invest heavily in business change management activities and increase its timescales significantly to support the changes in cultures and values needed for the project to become a success.

Conclusion

This case study illustrates how business change management can significantly increase the chances of a project being implemented successfully. Projects, by their very nature, often change the way things are done in an organisation, disturbing deep-rooted cultures, behaviours and values. In these situations, there is a need for much more focus on the people-side of change than standard project engagement can offer.

Business change managers see the project through the eyes of the stakeholders and focus solely on mitigating negative impacts on people and building support and buy-in for the change. This begins at the planning stage of the project and continues until the change has

been implemented and is operating as business as usual. For projects which have a large impact on the people involved, it is only through this intense focus on the people-side of the change that resistance can be minimised, the change can be embedded within the organisation, and the benefits can be realised.

References

Waterman, R. and Peters, T. 1982. *In Search of Excellence*. New York: Collins

About the Author



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Nicola Busby is an experienced business change professional who is passionate about the benefits that business change management can bring to organisations and staff going through change. She has supported many organisations in the private, public and non-profit sectors through a wide variety of change, including:

- organisational transformations, restructures and mergers
- IT-enabled change
- cultural and behavioural change
- building organisational capacity to deliver change

Nicola's clients have included Penguin Random House, Houses of Parliament, Financial Ombudsman Service, National Childbirth Trust, BBC, ITV, Network Rail, and Kent County Council.

Nicola is an accredited trainer for the APMG Change Management qualification, and authored a chapter on Change Readiness, Planning and Measurement for the set text for the course, 'The Effective Change Manager's Handbook'.

Nicola's latest book, '[The Shape of Change: a guide to planning, implementing and embedding organisational change](#)', is published by Routledge and available now.

Nicola blogs at [Business Change Enthusiasts](#).