

# The ROI for Change Management

## *How change management makes a substantial difference to project performance*

### summary

The financial impact of change management is rarely studied, so we thought we would investigate and see what we could find. The findings were fascinating:

- Change management can make a substantial difference to project success
- On large projects, change management can return £6.50 on every £1 spent

**There have been a number of independent studies in the last few decades on the overall performance of projects and initiatives in organisations. But none, to our knowledge, has focused on isolating the real impact of change management on project performance. The question is: 'Does change management really work?'**

Most studies and reports on project performance have focused on telling us about failure rates in the 60 to 80% range. Perhaps, we should instead be looking at the bright spots; why have 20 to 40% of these projects succeeded?

Many executives, consultants and project managers believe that change management has some kind of effect on project performance. For the most part this belief is based on experience, intuition and personal value systems - for example, we should treat people well during change - rather than data.

So, that leaves us with the \$64 million dollar question *"Can we prove that change management has a beneficial effect?"*

There have been very few surveys into the effects of change management, so we wanted to try and isolate the impact change management was actually having on projects and in particular on their financial outcomes.

The 'ROI for Change Management' survey was conducted online during May and June 2010 amongst 2,500 change managers - representing over 120 organisations of various sizes. Those taking part in the survey included project managers, HR and learning specialists, six sigma black belts and consultants.

The survey sample was sufficiently large to offer real indications as to the success of using change management during these challenging economic times, and their views illustrate the commitment many people have made to making change work in their own organisations.

It is worth noting that because studies of ROI are so difficult and often very long-term, the survey asked respondents to look at projects 6 to 9 months after launch to see what impact change management was having. For this reason it's possible that these results might be under-stated as many projects have not completed their lifecycle.

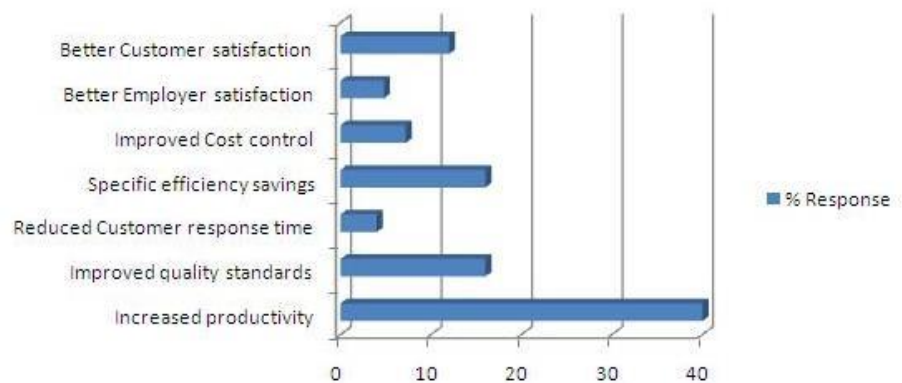
**So, what did we find out?**

**"96% of respondents saw a positive impact on behaviour"**

## 1. What were the intended results for the change?

With much of the global economy still deeply mired in recession, the focus for the change projects was always likely to be driven by the financial climate as demonstrated by the top three results. Increasing productivity was, by a long way, and perhaps unsurprisingly, the main objective for the change. This was closely followed by improving quality and efficiency savings.

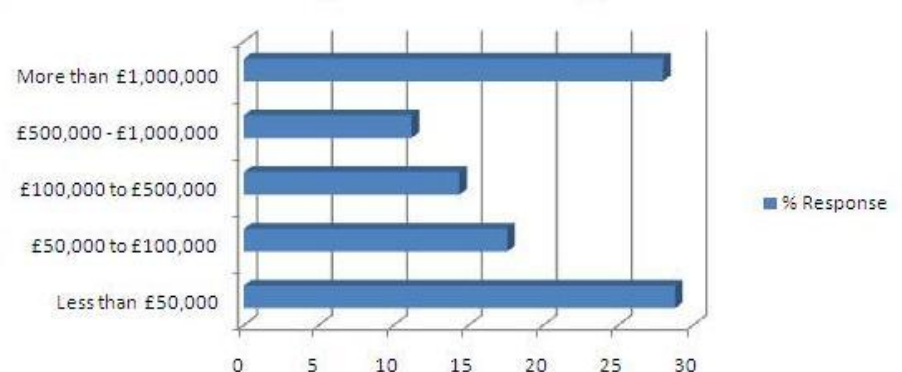
Figure 1: What were the intended results of the change?



## 2. What was the total implementation budget for the project?

When executing their projects, organisations either seem to spend a small amount of money on implementation (less than £50,000) or a large amount (more than £1million). In all, 48% of projects were costing less than £100,000 to implement. And, 30% of projects cost less than £50,000 to execute. Maybe it is true that the amount of money spent on change is irrelevant. Or, it could simply reflect the different project sizes!

Figure 2: What was the total implementation budget for the change?



## 3. What were the financial results 6 to 9 months after implementation?

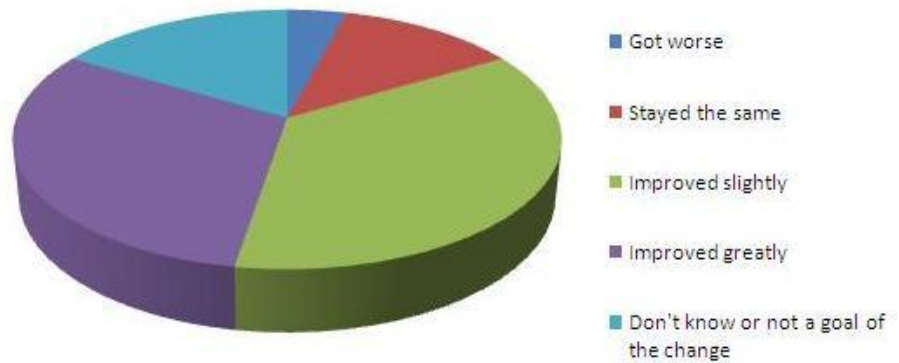
This of course is a difficult number to compute because all the normal issues surrounding ROI emerge. However, our 'top line' findings indicate that those projects, where spend was more than £1 million, had added about £2.5 million in savings by month 9. Smaller projects (less than £50,000 spend) got equally spectacular results with an average of £250,000 gains or savings

attributed to the project. So a 5:1 return in less than 9 months after launch. This compares to 2.5:1 for the very large projects. This just demonstrates that smaller projects are easier to implement. You just have to do a lot of them to get significant business improvements!

**4. What were the customer results after the change was implemented?**

The non-financial results look impressive too. As shown in *Figure 1*, almost 21% of respondents were trying to improve customer service or satisfaction through their change projects. Our research found that, overall, 67% of people believed their initiatives had a positive impact on customer service. A small number (4%) said it had actually got worse. However, this can be a negative consequence of the type of projects people are working on.

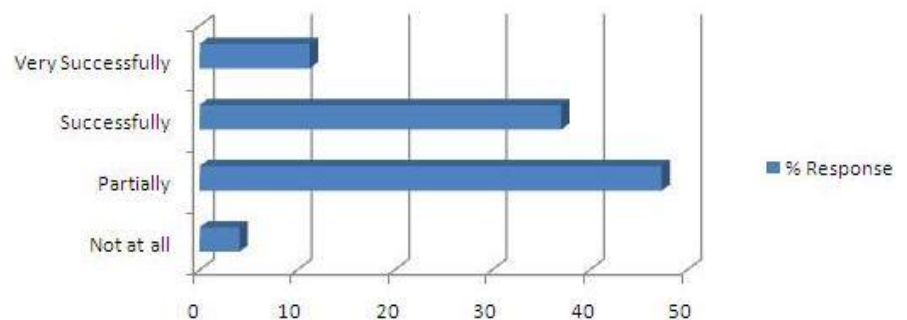
*Figure 3: What were the customer results after the change was implemented?*



**5. What were the behavioural results after the change was implemented?**

Of course, a key metric in measuring the success of change management is the degree to which people change their behaviour by adopting the new procedure or process. These results are very strong. In fact, over 96% of respondents saw some impact on behaviour and 10% saw themselves as being very successful in changing behaviour.

*Figure 4: What were the behavioural results after the change was implemented?*



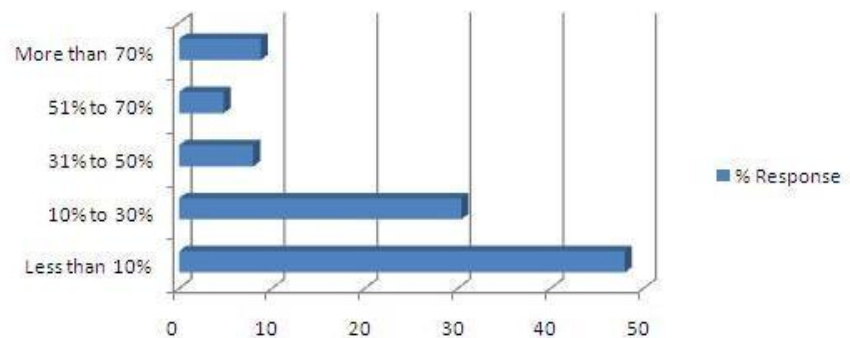
## 6. What percentage of the total implementation budget was spent on change management activities?

Across the board 77% said that less than 30% of implementation budget for projects is used for change management. However, the most surprising finding is that for those managing large projects (£1million+), 77% said they spent less than 10% on change management.

In comparison, for smaller projects, where people were spending less than £50,000, 85% of respondents said that up to 50% of the implementation budget was spent on change management. In our experience, this is to be expected. It's probable that these projects are less IT driven and you would expect more of the spending to be on change management.

Overall, these are interesting results, as previous research has indicated that, for success, you would expect to see around 15% of the implementation budget spent on change management.

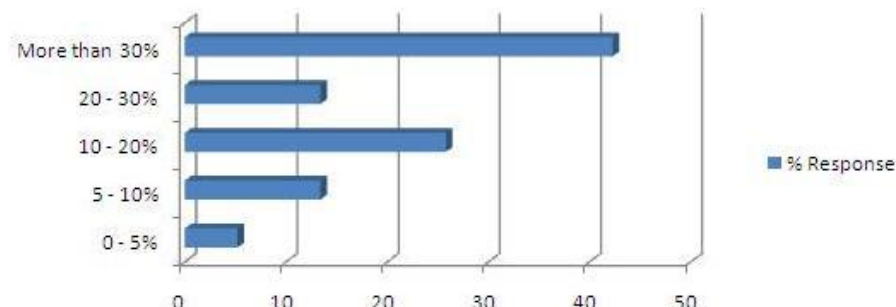
Figure 5: What % of the total implementation budget was spent on change management activities?



## 7. What percentage of these results could be attributed to change management activities?

Over 40% of respondents, managing large projects, believe that more than 30% of these results could be attributed to change management activities. This is a significant number. It means that for large projects (£1million+) change management would be responsible for over £800,000 worth of value in the first nine months. For small projects this number drops with only 29% of people stating that change management had this type of effect. The ROI for Change Management survey helps reinforce the success of change management when it is implemented as part of major project.

Figure 6: What % of these activities could be attributed to change management activities?



### Conclusion

The potential financial returns for change management can be extraordinarily high. Based on these numbers we calculated that, for large projects, you could expect to see a return of £6.50 for every £1 organisations spent on change management.

If you add in the positive changes in behaviour and customer service then it begins to look as if change management is a 'must-have' rather than a 'nice-to-have'. Maybe, it's time to start promoting change management as a real positive for organisations rather than focusing continually on what will happen if executives don't do it!

Figure 7: Summary table (all financial data in GBP)

a. Implementation budget	£1,000,000	£50,000
b. Change Management budget	£100,000	£25,000
c. Estimated financial return in 9 months	£2,500,000	£250,000
d. Per cent who said customer returns improved as a result of the change	70%	64%
e. Per cent who said behaviour changed as a result of the change	47%	43%
f. Change Management contribution to financial return (30%)	£750,000	£75,000
g. ROI Calculation	f minus b divided by b x 100 = 650%	f minus b divided by b x 100 = 200%

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