IT and Business Change Management

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IT-Business Change Management Concepts and Guide

I. Research and scope

II. Exercise: What is critical to success in a project?

III. Forces to be managed to change behavior

IV. Diagnostic decision tree

Appendix: Project forces and leadership risk assessment
I. Research and scope

- Fourteen case studies on change in the implementation of systems, and change in IT capability, 1970–2008.

- Survey research and publications

- Consulting studies
What makes for success or failure of an IT-business change effort?

(Name 2 to 4 things from your experience, observations, studies)
III. Forces to be managed to change behavior

Formal
Visible strategy, structure, systems, plans, processes, project

Political
Coalitions & groups with self-interests and roles

Cultural
Networks of relationships with implicit assumptions, shared values, informal rules and sanctions
IV. Diagnostic decision tree

<table>
<thead>
<tr>
<th>Urgency</th>
<th>Assessment of Risk</th>
<th>Leadership</th>
<th>Execution Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>HIGH or LOW RISK</td>
<td></td>
<td>TOP-DOWN DIRECTIVE</td>
</tr>
<tr>
<td></td>
<td>HIGH or LOW RISK</td>
<td>LOW RISK 4-12</td>
<td>STOP! (Change Leadership)</td>
</tr>
<tr>
<td></td>
<td>HIGH or LOW RISK</td>
<td>HIGH RISK 13-20</td>
<td>STOP! (Change Leadership)</td>
</tr>
<tr>
<td>LOW</td>
<td>LOW RISK 9-27</td>
<td></td>
<td>TOP-DOWN DIRECTIVE or EVOLUTIONARY</td>
</tr>
<tr>
<td></td>
<td>HIGH RISK 28-45</td>
<td></td>
<td>EVOLUTIONARY or EXPLORATORY</td>
</tr>
<tr>
<td>LOW</td>
<td>HIGH RISK 13-20</td>
<td></td>
<td>EXPLORATORY</td>
</tr>
</tbody>
</table>

Legend:
- HIGH or LOW RISK
- LOW RISK 4-12
- HIGH RISK 13-20
- STOP! (Change Forces, and Leadership?)

Leadership:
- Formal, Political, Cultural
Conclusions and Implications

1. IT in relation to business change: can follow, parallel, or lead.

2. The technology may be critical. Human behavior change is always critical.

3. IT projects should always be business projects. Getting business value requires business responsibility and leadership for change.

4. Leadership of change requires:
   a. Understanding and assessment of the context (esp. crisis vs not) and the three forces that influence behavior
   b. Contingent execution: using the change strategy to fit the context and forces (top-down directive, evolutionary, exploratory, or stop to mitigate)

4. Major change is a journey with unanticipated obstacles and opportunities – regularly assess, periodically alter strategies or leaders

5. Will you be a leader of change? How will you use IT?
Appendix: Assessing project risk, 1 of 4

Score each item as a risk to the success of the next phase of your project. from 1 (low risk) to 5 (high risk)

Formal Forces

1. *Size and complexity* of the project compared to others the organization has done. (e.g., cost, technology, number of stakeholders, new working relationships required) ____

2. *Change in stakeholder behavior* required. (e.g., new skills, new knowledge, new practices) ____

3. *Change in business and organization* required. (e.g., business process change, new role & reporting, new incentives and rewards) ____

Total formal risk score (3–15) ____
Appendix: Assessing project risk, 2 of 4

Cultural Forces

1. *Communication and understanding* of the project for relevant stakeholders at this point. ___

2. *Emotional commitment* of the stakeholders (i.e., are they eager for it, indifferent toward it, waiting to see what happens, likely to resist passively, likely to sabotage?). ___

3. *Sustainability* of work behavior changes made or upcoming (i.e., energy, commitment among stakeholders to continuing the changes). ___

Total cultural risk score (3-15) ___
Appendix: Assessing project risk, 3 of 4

Political Forces

1. Existence of potential winners and losers as a result of the project. (i.e., will departments or coalitions gain or lose power and influence?)

2. Exercise of influence to enable or to impede the project by departments, coalitions, or relationships toward project success.

3. Alignment, coordination, and adaptability of IT with business on the project (e.g., Is the project team responsive and effective to unexpected glitches?)

Total political risk score (3-15) ____

Total forces risk scores (formal+cultural+political) (9-45) ____
Leadership

1. Understanding, and commitment of responsible leaders to the formal project plan
   
2. Respect and trust of leaders by the stakeholders in the culture
   
3. Ability of leaders to achieve compromise, alignment of political factions
   
4. Interpersonal influence and adaptability of leaders to the unexpected

Total leadership risk score (4–20) _____
Supplementary Slides
Successful IT-business change requires:

- Assessing *a priori* the impact on the organization

- Designing the project plan and strategy of change to fit the degree of impact (risk of failure)

- Mitigating risk by changing structures, incentives, processes as well as skills

- Reviewing and adjusting the project

- Thinking of the project as organizational learning and work behavior change

- Leading (vs. managing)
II. (cont.) Looking at the IT function and IT-business projects from the three perspectives

I. IT historically has been very “blue” compared to the business
   - ‘Regional Bank’: two views of decision making for new branches

II. IT and projects often require more "red", power, than IT has
   - Dow Corning’s SAP implementation: showdown in the CEO’s office
   - Current CIO survey: “We still don’t have a seat at the table...”

III. IT professionals are often seen as aliens; IT projects increasingly require a change in the "green", culture
   - First National City Bank: back office reengineering blowup
III. (was VI) Aetna’s business turnaround and IT

I. Company
   • One of the largest health insurers
   • 1990’s: losing market share, customers, and $

II. Situation 2001
   • Problems: external relationships, operations, organization, strategy; “the culture had lost pride”

III. Actions taken
   • New CEO, COO, CIO, etc.
   • CEO, Dr. Jack Rowe, related each company problem to IT
   • Change management leadership: COO knowledgeable and involved in IT; the EMIS message
   • Projects and IT fixes: Architecture transformation project, long term; IT capability fix through co-sourcing; software “make-buy” decisions on business growth
   • Business execs made responsible for IT projects
Results

- Dramatic business turnaround
- Continuing long-term IT investments in “architecture project”
- Self-diagnostic web application success
- Business fully responsible for IT projects—new governance

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($b)</th>
<th>Net Earnings ($b)</th>
<th>Stock Price</th>
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<tbody>
<tr>
<td>2001</td>
<td>25.2</td>
<td>(.3)</td>
<td>8.4</td>
</tr>
<tr>
<td>2003</td>
<td>18.0</td>
<td>.9</td>
<td>16.2</td>
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<tr>
<td>2005</td>
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<tr>
<td>2006</td>
<td>25.1</td>
<td>1.7</td>
<td>43.2</td>
</tr>
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</table>
IV. (cont)(was V) Nestlé’s GLOBE project

I. Company and situation – late 1990’s
- $65B, world’s largest food co, P&L responsibility in 80 geographic markets, 14 account for 73% of revenue
- Highly decentralized operations, strong culture, sense of success
  - Trailed peers in profitability; an analyst: “Nestlé could increase EBIT by 39% if sales and admin overheads matched industry averages”
- IT projects to control administrative costs had failed
- 1997: Peter Brabeck new CEO

II. Action taken: big IT-business project
- 2000 Brabeck introduces GLOBE: for efficiency in administrative & logistical operations, and agility w/ customers & suppliers; project objectives:
  - Business process best practices across company
  - Data standardization
  - Common systems: SAP ERP single instance (largest in history)
  - Brabeck asks Chris Johnson, 39, market head Taiwan, to head GLOBE; reports to Brabeck, and is on Exec Committee

III. 2001: Globe Day meeting of regional market heads in home office

How would you expect the market heads to react to the GLOBE project, on a scale from 1 (very positive) to 10 (very negative)? Why?
Further actions taken, 2001–2002

- Johnson confronts the boss with time and budgets—gets extension and increase
- Johnson gets the 400 best people to work on the project
- Johnson partners with CIO
- Reporting relationship and responsiveness to Executive Board
- Pilot in next year by Lopez, Market Head Indonesia, is successful
- GLOBE Day 2002 with Market Heads sees volunteers for implementation
- Momentum builds, Brabeck and Executive Board provide full support
IV. (cont)(was V) Nestlé’s GLOBE project

Project outcomes

- Promotions and rewards for Johnson, CIO, and team members
- Simultaneous standardization/centralization and more local autonomy/empowerment
- Latest reports: culture shows increased pride, and business is more responsive, agile
- Significant but indirect financial benefits, GLOBE seen as a competitive edge

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($)b</th>
<th>EBIT ($)b</th>
<th>% of rev</th>
<th>Stock Price</th>
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<td>8.2</td>
<td>13%</td>
<td>249</td>
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<tr>
<td>2006</td>
<td>78.7</td>
<td>10.6</td>
<td>14%</td>
<td>354</td>
</tr>
<tr>
<td>2007</td>
<td>89.9</td>
<td>12.6</td>
<td>14%</td>
<td>462</td>
</tr>
</tbody>
</table>
Sustained business or project success comes from the alignment of the three forces.

Transformational change begins with a misalignment of the forces.

Change management is the manipulation of the forces over time to achieve alignment.

Change leadership is influencing behavior of others toward “blue” objectives by altering and making use of the “red” and the “green.”