

Risk Impact Assessment and OCM Plan White Paper

Applies to:

SAP Organizational Change Management (OCM)

Summary

Organizational Risk and Impact Assessments are the tools that help assess possible risks and measure the success of activities aimed at risk mitigation. Risk Assessment collects stakeholders' perceptions about the project and the business. If their perceptions differ from those required for a successful project, a risk is identified. Alternatively, the perception can confirm that a previous risk has been mitigated.

Impact Assessment is the mapping of *To Be* business processes against *As Is* business processes. Any gap between the processes requires some kind of transition management

The OCM Plan is the mechanism by which all findings and actions are centrally recorded, planned for, allocated to individuals for execution by agreed dates, monitored and revised.

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Introduction

As stated in the Organizational Change Management (OCM) Implementation White Paper, the OCM approach recommended in the implementation methodology is based on risk minimization. OCM effort is only recommended if directed at a clear measurable risk.

Organizational Risk and Impact Assessments are the tools that help assess possible risks and measure the success of activities aimed at risk mitigation. Risk Assessment collects stakeholders' perceptions about the project and the business. If their perceptions differ from those required for a successful project, a risk is identified. Alternatively, the perception can confirm that a previous risk has been mitigated.

Impact Assessment is the mapping of *To Be* business processes against *As Is* business processes. Any gap between the processes requires some kind of transition management, even if this is only training in the new way of doing business. In most cases introducing the new processes also involves changes in role descriptions, power relationships, even perceived threats and benefits to the individuals. The absence of transition management can introduce a significant risk to the project. The results of the Impact Assessment should thus be translated into likely risks and managed as part of the OCM Plan.

In summary, each assessment process collects the information needed for:

- Identification of risks and its possible impact on the organization
- Ranking the risks by priority (tackling risks with high impact first)
- Monitoring the effectiveness of the mitigating actions

The OCM Plan is the mechanism by which all findings and actions are centrally recorded, planned for, allocated to individuals for execution by agreed dates, monitored and revised. The type and magnitude of risks will depend on the nature of the project and the organization, and subsequently the actions need to be tailored to mitigate or control the risks.

Typically the risks and actions associated with a SAP implementation can fall into the following four major work streams:

- Communication
- Sponsorship and Leadership
- Business Optimization
- Team Management.

Integration with Implementation

Assessment tends to occur at two levels:

- The project - how to integrate project activities into the organization
- The organization - how to position the solution as the new status quo

There are five stages at which an assessment is carried out. Initially the assessments will represent “broad brush” estimates. As the project progresses and the change process starts to become reality, the risks become more finely tuned.

1. As the Business Case is put together for the project, an estimation of the benefits and the success criteria for the project will be made. These benefits represent the major impact areas for the project. The impact areas coupled with an understanding of the business culture and other concurrent business initiatives should provide some information about the project risks. Risks identified as part of the business case can be within the scope of project management and change management. The former is concerned with the planning and organization of the project, and the latter with stakeholders’ perception of the project and subsequently their behaviors. A formal assessment of those risks can be undertaken by identifying the different stakeholder groups and assessing how they will be affected by the project, business demands on them during the project, and their past behavior to change.

The Change Charter (part of the Project Charter) should list the anticipated risks associated with the perceptions and propose processes to manage the OCM specific risks. Whilst it may not be appropriate to put in place contingency plans at this stage of the project, the list of benefits and associated risks provide the initial starting point.

2. During the early Blueprint phase, the project team, sponsors, and stakeholders need to be asked about their perception of the potential risks to project success and their expectations of the impact the new design will have on the business. This risk assessment is traditionally done by a combination of questionnaires and structured interviews. The results may confirm those assumptions made previously and may also provide new information about the OCM risks previously identified. The findings should be used to update the OCM Plan and execute appropriate actions.
3. At the end of the Blueprint phase, when “To Be” business process information is available, structured assessment of the magnitude of change and thus the impact on the organization are necessary. In most cases, the members of the OCM team do not have the knowledge to carry out the impact assessments by themselves, even after attending workshops. The OCM team members facilitate information gathering by focusing the attention of project team members and workshop attendees on the human aspects of change and helping them record the findings in a structured way. The business process owners are ultimately responsible for the quality of the detailed impact assessment of each business process. While the findings should be documented in the business process documents, associated risks have to be listed on the OCM plan. OCM actions need to be identified and assigned to an owner.
4. Towards the end of the Blueprint phase or early in the Realization phase a risk assessment involving the wider organization should be carried out. This assessment should focus on areas of concern with regard to the new business design and the different stakeholder groups. Such an assessment often identifies the parts of the organization that are resistant to change and ready to embrace change. It is also used to collect information needed to evaluate the success of previous OCM initiatives. Finally, the value of the assessment as a means of communicating and engaging the business should not be underestimated. The findings from the assessment should again be used to update the OCM Plan.

5. The final risk assessment takes place early in the Final Preparation phase. At this point, all the high impact risks should have been dealt with and this assessment should only focus on the final details. If the high impact and risk elements have not been dealt with by this phase the findings should highlight this and subsequent actions will be required. By this time in the project the OCM Plan should list few open risks.

Additional risk assessments or repetitions of previous assessments can be carried out as seen fit, based on the OCM Plan. All findings from the risk and impact assessments need to be recorded on the OCM plan and other supporting documents.

Each risk assessment requires a feedback loop through which participants are thanked and informed. This is recommended best practice because it provides an effective vehicle for communication and also encourages continuous participation and confirmation/validation of information received. The feedback can take a variety of forms including presentations, workshops, or written communication. The exact vehicle will have been decided in the Communications Plan.

Risk Measurement

The recommended process of risk measurement is a point scale (as is supported throughout the implementation methodology). Sample questions and rating scales can be found in the accelerators. Please see:

- Risk Workshop Action Planning
- Risk Workshop Objectives
- Translating Risk Assessment Results into Communications
- Risk Assessment Tools Development Guidelines
- Sample Risk Profile.

The answers to the questions with rating scales should be analyzed in order to provide a better picture of perceived risks. Quantifiable scores of the average as well as mean ratings and their standard deviation (range) should be calculated. This information is valuable for presentation to the managers, and to possibly compare changes in perception over time, hence assess the success of OCM actions. The latter is best done with questions and stakeholder groups that are the same.

The method of collecting information should differ according to the information to be collected and the stakeholder groups to be assessed. For example a large mobile sales force will be difficult to interview face to face, whereas a small accounts payable department should be easier to assess. The business process owners could be communicated with in workshops and interviews. The communication plan should document the nature of the different stakeholder groups and communication methods (see communication white paper).

OCM Plan

The OCM plan relies heavily on the results from the risk and impact assessments. The assessments are merely a tool and make little difference in itself, unless coupled with appropriate actions. The OCM plan is the document that allows the assessment results to be translated into actions and monitored. The OCM plan shows:

- Clear documentation of the risk,
- Its priority to the business (ideally judged against clearly measurable impact),
- Action to be taken
- Person responsible

- Timing of action
- Measure of success
- Timing of measure

A sample OCM plan is available as an accelerator.

The OCM team owns the OCM plan and the team should be responsible to update the plan regularly. The mitigating actions and responsibility for the execution of actions do not necessarily belong to the OCM team. In order for the OCM team to manage the OCM Plan, changes to the OCM plan need to be communicated at team meetings. This involves assigning actions and responsibilities to risks and then monitoring progress. Without top management support to manage the plan in a rigorous way, the OCM team cannot be successful.

Once risks are perceived to be eliminated, the item on the plan can be closed. If risks are changed, the item is still closed and a new risk should be added to the plan. The OCM plan differs from the issues list. While high risk items on the OCM plan can sometimes be on the issues list, the OCM risks are not all issues but only a method to manage change in a controlled and proactive fashion.

The OCM Plan starts at a very high level at the beginning of the project and becomes more detailed as specific information becomes available. In some cases the plan itself does not allow for the detail of risks and actions to be documented. In this case, supporting documentation is required, for example communication plan and sponsorship strategy. Clear cross referencing is necessary to ensure consistency and continuity of the management of change through one centralized vehicle: the OCM Plan.

Deliverables Associated with the Risk/Impact Assessment and the OCM Plan Stream

- Organizational Risk Assessments
- Impact Assessments
- OCM Plan

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