

Risk Assessment and Management



Change Management
A Highlands Group White Paper Series



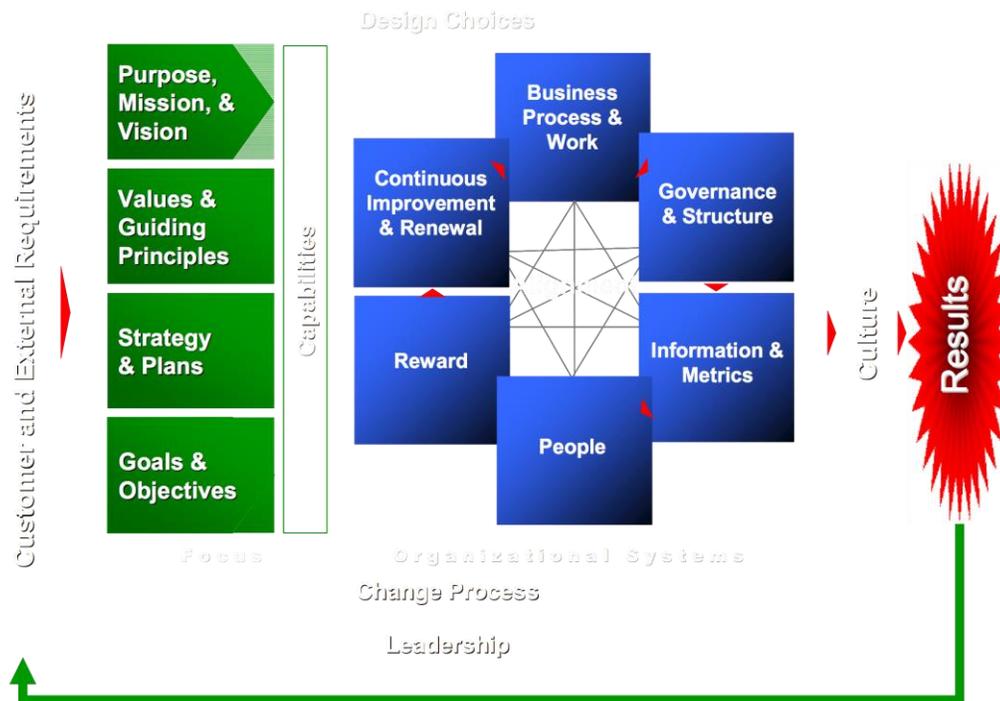
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Risk Assessment and Management

Risk assessment and management helps change leaders ensure that all elements of the new organization are aligned. S.A. Tartakower, a Russian chess master, speaking of the chess board at the beginning of a game said, “The mistakes are all there waiting to be made.” So it is with executing change. As leaders implement improvements and make strategic decisions, it can be overwhelming to keep all of the pieces moving together in the same direction. We have found it helpful for leaders to assess and manage the risks of implementation if they have a model that shows potential misalignments within the organization.

The Organizational Systems Design (OSD) Model below highlights three primary areas of risk that leaders need to manage:

1. **Organizational focus** including vision, mission, guiding principles, goals, and objectives
2. **Organizational systems** including process, structure, and systems
3. **Change management elements** including stakeholder expectations, commitment, buy-in, and engagement



The Organizational Systems Design Model

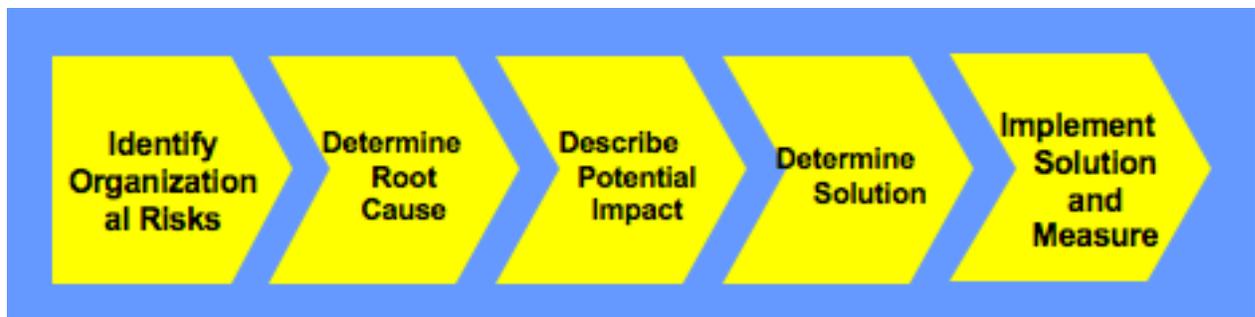


The risk assessment and management tool is used prior to implementation to identify and manage risks associated with the design of the new organization. The purpose of the risk assessment and management tool is to ensure that all risks of the new design have been eliminated or mitigated. A *risk* is defined as anything in the design of the new organization that could potentially derail implementation and prevent the desired results.

During a risk assessment we ask questions such as:

- What is the business case for change? How well has it been communicated to the organization?
- How clear is the vision for the future? To what extent is the vision shared by everyone in the organization?
- How well have we aligned all of the organizational systems to support the new changes?
- What is the process to handle employee transitions (e.g., education, compensation, logistics, etc.)?
- What barriers exist that could stall implementation?

Creating a Risk Assessment and Management Plan includes the following five key steps:



1. **Identify organizational risks** associated with the organizational design and change management elements (e.g., design choices, barriers, missing elements, issues, etc.) that are potential threats to the project's success.
2. **Determine root cause** of each risk.
3. **Describe potential impact** of the risk and rate the severity.
4. **Determine appropriate solutions** to eliminate or mitigate the impact.
5. **Implement solutions**, track status, and **measure** improvement.



1. Identify Organizational Risks

The purpose of this step is to discover any concerns, risks, or hazards associated with the technical design and change management elements, such as misaligned organizational systems, barriers to implementation, or issues that are potential threats to the project's success.

Tasks

We have found the questions below helpful for leaders as they identify risks associated with the change. Use the Risk Management Tracking Template at the end of this white paper as a tool to manage risks.

Organizational Focus

Results

- Have leaders clearly articulated the desired business results of the organization (e.g., revenue, profit, margins, market share, growth, and cost/unit)?
- What is the current level of customer satisfaction? Is it clear what we will do to increase customer satisfaction?
- What is the current level of employee satisfaction? What is the turnover rate and level of absenteeism? Is it clear what we will do to increase employee satisfaction?

Culture (Behaviors, Feelings, and Knowledge)

- What are people in the organization talking about and doing?
- How do they feel about the organization, the leaders, and their work?
- What stories are people telling about the organization? Who are the heroes?
- What concerns do these stories raise? What can we build upon?
- How would we describe our current culture? What do we want it to be? Has this cultural vision been communicated and understood broadly and deeply?

Customer and External Requirements

- Who are the customers, influencers, and stakeholders of the organization? What requirements, demands, and expectations do they have?
- How well is the organization currently responding to those requirements?
- How well is the organization benchmarking world-class competitors (either formally or informally)? How well is the organization competing with its competitors?



Leadership

- Are the values and beliefs of the organization clearly articulated?
- How are leaders viewed by people in the organization?
- Are the words and actions of leaders consistent?

Vision and Mission

- Have the vision and mission of the organization been communicated? How well known are they throughout the organization?
- Are employees engaged around the vision and mission?
- Is the organization of the future well defined?

Guiding Principles

- Have the espoused values and beliefs of the organization been communicated?
- To what extent are they lived by leadership and employees in the organization?
- How are violations and discrepancies between the guiding principles and actual practices handled?

Strategy and Plans

- Are the organization's strategies well defined and well known?
- To what extent is the organization committed to them?

Goals and Objectives

- What are the goals and objectives of the organization?
- How well known are they throughout the organization?

Organizational Systems

Business Process and Work

- How well defined, named, and managed are the work processes in the organization?
- Does each work process have clear measures (e.g., cycle time, quality, quantity, number of hand-offs, etc.)?
- Are equipment, technology, and facilities designed to deliver the organizational results?

Governance and Structure

- How will people be organized?



- Are the roles, responsibilities, authorities, and accountabilities clearly defined in the organization?
- To what extent does the structure foster or inhibit decision-making and information dissemination?

Information and Metrics

- How will results be tracked, measured, and reported?
- How will information be provided in a timely fashion to those who need to make decisions?

People

- How will people be attracted, selected, oriented, trained, certified, evaluated, and promoted in the organization?

Reward

- How will people be compensated for their performance in terms of salary, benefits, and profit-sharing?
- What mechanisms are in place to reward people informally for outstanding performance?
- How will people be discouraged or penalized for poor performance and lack of accountability?

Continual Improvement Renewal

- What systems are in place to continuously improve the organization?
- What systems are in place to redesign the organization?

Change Management

- Is the business case for change clear? How well has it been communicated to the organization?
- Have all the deliverables been met that were outlined on the scope of the change project?
- Have the high-level redesign goals been met?
- What changes in the last few years might impact the success of this effort?
- What are the current levels of trust at the management and non-management levels in the organization?
- To what extent are top leaders continuing to sponsor and lead the change effort? What is the level of consensus and understanding about the change?



- What are the invisible fences or hidden constraints within the organization?
- What are the overall assumptions and expectations regarding pace, resource requirements, and return on investment?
- To what extent have the new changes created a “learning organization” (i.e., extensive cross-training, clarity about core competencies, fostering skills and knowledge necessary to achieve world-class stature)?
- What is the stated job security policy? Has it been communicated to the organization?
- Is the process to handle employee transitions clear (e.g., education, compensation, logistics)?
- What organizations (world-class, high-performance, or visionary) have been benchmarked/visited?
- What training has been conducted for basic social skills, technical skills, and financial/business skills?
- What performance targets have been established for the future state?
- Are project management competencies in place to ensure successful implementation?
- What barriers exist in the organization to implement new processes, structures, and systems?

2. Determine Root Cause

The purpose of this step is to identify elements in the OSD Model that could be contributing to the risk. Dr. Edward Deming, the father of the quality movement, said to get to root cause requires asking “why” five or six times. The OSD Model provides a framework to understand how all of the organizational elements are aligned or misaligned to get to the root cause.

Tasks

After identifying key risks associated with the change project, review the elements in the OSD Model and identify those that are lacking, deficient, or misaligned. In short, determine what elements in the model are the root cause of the risk and, if fixed, would eliminate the risk. Name the element in the second column of the Risk Management Tracking Template.



3. Describe Potential Impact

This step helps everyone understand the impact and severity of the risk to the overall change project. We have provided a list of criteria at the end of this paper to help clarify the severity of each risk.

Tasks

As a change leadership team, complete the following tasks to describe the potential risks and their severity:

1. Review the identified risks and their root causes.
2. Describe the potential impact of each risk to the organization, employees, leadership, partners, etc. in the third column of the Risk Management Tracking Template.
3. Rate the severity of the impact using the criteria provided in the fourth column of the Risk Management Tracking Template.

4. Determine Appropriate Solutions

Organizations are perfectly designed to get the results they are getting. This step helps you design solutions to align the organization and eliminate or mitigate the identified risks.

In addition to assessing risks, the OSD Model can also be used as a framework to design elements of the organization to eliminate risks.

Tasks

As a change leadership team, complete the following tasks to determine appropriate solutions for each risk:

1. Determine appropriate changes based on the OSD Model to eliminate or mitigate risks.
2. Agree on the level of change required.
3. Outline appropriate solutions in column five of the Risk Management Tracking Template.

Step 5: Implement Solutions and Measure

In this step, implement design solutions to eliminate the identified risks. Good project management is critical to this step. As a change leadership team, identify necessary changes and assign responsibility. Remember to answer the question, “*Who does what by when?*”



Tasks

As a change leadership team, complete the following tasks to implement risk management solutions:

1. Identify necessary implementation steps.
2. Assign implementation responsibilities in the sixth column of the Risk Management Tracking Template.
3. Create a tracking and measuring process.
4. Monitor progress and update status in the seventh column of the Risk Management Tracking Template.
5. Celebrate success.

The following example shows risks, impact, severity, and solutions.

Risk Management Tracking Example
Risk: Current accounting processes are not designed to work with new CRM technology.
OSD Element: Business Process and Work
Impact: Old work processes will override the new, desired changes.
Rating: 5
Solution: Redesign accounting processes to ensure alignment of tasks.
Person Responsible: George Smith
Status: Behind schedule
Risk: New roles and responsibilities have not been communicated to the organization.
OSD Element: Governance and Structure
Impact: Employees unclear about how their jobs will change.
Rating: 3
Solution: Set up town hall meetings and one-on-one interviews to describe the changes.
Person Responsible: Harold Lee (Communication Coordinator)
Status: On target



Conclusion

Before “going live” with the change initiative, successful leaders we have worked with take time to assess potential risks and develop a plan to manage those risks. An American proverb states, “It doesn’t work to leap a 20-foot chasm in two 10-foot jumps.” Using the OSD Model to assess the risks associated with change helps leaders identify the root causes that could hinder implementation and determine appropriate solutions (or “leaps”) they must take to ensure success of the change initiative.



Risk Management Tracking Template

Status												
Person Responsible												
Solution												
Rating												
Impact												
OSD Element												
Risks												



Severity Rating Criteria

Impact	Criteria: Severity of Impact
Very High	Major impact on the success of the project. The design will cause major production errors, confusion of roles, customer dissatisfaction, and employee dissatisfaction.
High	Significant impact on the success of the project. The design will likely cause production errors, confusion of roles, customer dissatisfaction, and employee dissatisfaction.
Moderate	Moderate impact on the success of the project. The design will cause some production errors, confusion of roles, customer dissatisfaction, and employee dissatisfaction.
Minor	Minor impact on the success of the project. The design will cause minimal production errors, confusion of roles, customer dissatisfaction, and employee dissatisfaction.
Very Minor	Insignificant impact on the success of the project. The design will cause very few production errors, confusion of roles, customer dissatisfaction, and employee dissatisfaction.
None	No impact. The design will work as planned.

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