Managing Change in Organizations

by:
Steve Garfein, MBA, PMP, President, RPM Systems
Nick Horney, PhD, Principal and Founder, Agility Consulting
Marvin Nelson, CAE, MBA, Program Development Manager, PMI
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Introduction to Change Management

Market Findings Regarding Change
A Franklin Covey/PricewaterhouseCoopers (2008) report titled, *Execution-focused leadership: Balancing short-term survival with long-term sustainability*, found that CEOs identified excellence in executing strategy (55%); consistent execution of strategy by top management (47%); and speed, flexibility, and adaptability to change (47%) as the three greatest challenges their organizations faced.

The 2010 *IBM Global CEO Study* (2010) of more than 1,500 CEOs, general managers, public sector and business leaders found that complexity and change are presenting challenges that more than half of CEOs believe their organizations cannot manage.

The recently released report from the Economist Intelligence Unit, *Why good strategies fail: Lessons for the C-suite* (2013), asked C-suite executives, “What are the biggest barriers to successful strategy implementation at your organization?” Respondents were asked to indicate up to three issues. The responses indicated that the barriers they were experiencing are issues related to project change management.

We often hear that 60-to-70 percent of change initiatives fail to achieve their intended benefits or outcomes. Likely these percentages indicate failure to realize the full or complete objectives, but reports also indicate that sustaining lasting change is difficult to achieve and in today’s business environment that is costly both in short-term expense and long-term viability for organizations.

On the positive side, the 2012 *Pulse of the Profession™ In-Depth Report on Organizational Agility* (PMI, 2012) found a strong link between the change management capability of an organization and the level of agility for the organization. Ninety-two percent of organizations that reported being effective at change management also reported moderate or high agility. Organizations with high agility are twice as likely to see increased success with new initiatives as compared to those reporting low agility.

In summary, the research clearly shows that when organizational change management is effectively practiced by project and program managers, the successful execution of projects and programs, and thus the implementation of organizational strategy, is enhanced.

What Is Change Management

So what is change management? Take a look at this definition of change management.

>*Change management is a comprehensive, cyclic, and structured approach for transitioning individuals, groups, and organizations from a current state to a future state with intended business benefits. Several key words should be noted in this definition.* (PMI, 2013)

There is a lot packed into this definition so let’s break down each of the significant terms so that we can better understand what it means.
• **Comprehensive** – good change management must look at the organization’s people, culture, processes, infrastructure and technology. Today, there are many who say that change management is the people side of change. That is a big piece of it, but a comprehensive approach looks at more than just people. Current processes (systems), infrastructure (including organizational structure), and current applied technology are also change enablers or potential roadblocks.

• **Cyclic** – managing change well often requires reviewing outcomes at key steps along the way and going back to adjust for variations or less-than-intended results. These review and adjust cycles happen over the course of a project or program.

• **Structured** – while change management is not a cookie-cutter process, there is a definitive structure to the process. This is clear when one looks at the implementation of knowledge areas within the five Process Groups of the *PMBOK® Guide*. Managing change is not about managing schedules, project scope or simply avoiding resistance to change. Change is about the impact on people, culture, systems and structures. Change is bringing about a new state that betters positions the organization for success in the future.

• **Transition** – change does not usually happen all at once. Projects and programs take place over a period of time during which components of the output may be delivered. Each time a component is delivered, or even if there are no intermediate components and the entire project output is delivered at one point in time, there is a need to abandon the past and step into the future. This transition process must be well planned and executed to realize the full value of the output.

• **Current State** – is where the process begins. It is important in any change effort to understand the “what is” state.

• **Future State** – is where the organization strives to be. If there is not a clear understanding of all the characteristics of the end state, then there is a probability that the organization will end up at a destination other than the one intended – either slightly or extremely.

• **Business Benefits** – no organization undertakes a project or program just to have something to do. There is an intended benefit expected as a result of the project or program. This is linked to the future state, but goes beyond what is to be done and defines the value expected as a result. The benefits may be numerous and varied, such as capture a new market opportunity, improve efficiency in processes, reduce costs, etc., but the benefits should be well defined with metrics that will verify the realization of intended benefits.

**Organizational Change**

Change is about moving from a current state to an envisioned or desired future state as shown in Figure 1. Projects and programs by their very nature cause change. When the change impact of a project is overlooked or minimized, the business often fails to realize the full benefit that was originally intended. Therefore, it is important for project, program and portfolio managers to
include adoption or implementation outcomes in planning and management as an integral component of their plans.

The principles and practice of project management are equally useful and valid no matter what the type of project. Therefore, all strategic change happens through programs and projects.

![Figure 1: The Change Process](image)

**Change Management through Programs and Projects**

As an example of a portfolio of programs and projects, consider Figure 2, which depicts a collection of programs and projects within a single portfolio. There are five business areas working on or impacted by different aspects of the portfolio over a four-year time period. The portfolio documents the current state (shown in the lower left corner) and the envisioned future state of the organization (shown in the upper right corner) as the result of the execution of the entire portfolio of programs and projects.

The outputs of the projects and programs move the organization forward with its strategy. But at the same time, portions of the organization are undergoing change as the individual projects and programs deliver their outputs. The changes are occurring to systems and people and may also be changing structure, culture and technology as well. These areas of change and the resulting impact are the focus of this paper.
Drivers of Change

Today’s business environment is one characterized by rapid change. The forces of change come from external and internal forces. The external environment includes things such as rapid technology advancement, increased globalization, political and regulatory currents, innovation and shorter product lifecycles, and the list goes on. The internal drivers of change include such things as the need to drive costs out of the business through better efficiencies to improve bottom-line results, pressures to accelerate growth, and the need for higher levels of organizational agility. Adapting and embracing these forces of change requires ongoing organizational change, which adds it owns management issues.

Over the last several decades the practice of change management has been radically impacted by a continuing turbulent business environment characterized by rapidly-fragmenting, information-intensive, demographically-evolving, electronically-wired and individually-customized global marketplace. It has increasingly become a business imperative for organizations, supply chains, teams and individuals to anticipate, adjust and adapt to a world that demands agility in order to
survive and thrive. It is no longer good enough being a “firefighter” and reacting to change in a highly competitive marketplace. The current and future business environment characterized by uncertainty, complexity and ambiguity requires organizations now to anticipate and take preemptive action in dealing with competitive threats.

Leaders in many organizations across the globe are realizing the need to enhance their leadership agility. Leading in an organization and marketplace that goes through changes is not new. However, the pace, magnitude, velocity, and volume of change now and into the future is greater than ever before and will continue. Whether your leadership role is at the C-Level, Business Unit Leadership, Organizational Project Management, Portfolio Project Management, Program or Project Management, the demands of the changing marketplace require greater leadership agility.

Kurt Lewin (1947) put forward a model of change that consists of three steps: unfreezing, moving, and freezing. It simple terms the model can be described as open up the process undergoing change, build and implement a new process, and then integrate and perpetuate or sustain the new way of doing things. Many other models emerged since Lewin put forward his ideas. Among the better know models are the change curve based on work by Elisabeth Kübler-Ross (1969), Bridges’ (1991) Transitions Model, and John Kotter’s (1996) 8-step process for leading change. These and other models are useful for informing the discussion of managing change in organizations, but viewing them as a recipe for baking a change often ends in disappointment. The better approach is using the models as inputs to the planning process leveraging the power of portfolio, program and project management to manage the change.

Each of the PMI Foundational Standards (OPM3®, Portfolio, Program and Project) contains the elements of change management related to each respective domain. But to be effectively applied to organizational change, one must put intentional focus on the embedded change management concepts and ensure that the final plan adequately addresses all of the change issues. Enhancing the ability of managers to managing organizational change through portfolios of programs and projects as well as managing the change impact of those portfolios led to the development of.

Managing Change in Organizations

Managing Change in Organizations focuses on change that results from outputs of programs and projects by looking at projects and programs as the mechanism for implementing change. It also covers the fact that these projects and programs are likely components of larger portfolios for change.

Organizational Project Management

The Organizational Project Management Maturity Model (OPM3®) – Third Edition defines organizational project management as a strategy execution framework that utilizes portfolio, program, and project management as well as organizational-enabling practices to deliver consistently and predictably organizational strategy with the outcome of better performance, better results, and a sustainable competitive advantage. The OPM Framework, as depicted in
Figure 3, consists of a number of components and it is helpful to understand each of these components.

**OPM: Strategy**  
Organizational strategy is an input into the OPM strategy execution framework. Strategy is based on the organization’s mission, vision, and values. The key is that it is an input to the OPM framework. But as a specific strategy is moved to execution, there are questions that must be asked: “Is the organization in a position (prepared) to execute the strategy?” and “Will significant organizational change be required?”

**OPM: Portfolio**  
The organization uses portfolio management as a means to determine which initiatives the organization should undertake in order to fulfill its strategy. There are capacity limitations that restrict how much work can be undertaken during any period of time so it is important to prioritize the activities with respect to resources required and benefits anticipated.

**OPM: Program and project management**  
The organization uses program and project management as a means to effectively and efficiently deliver the initiatives of the organization.

**OPM: Business impact analysis**  
There are multiple analysis and feedback loops that are part of the OPM strategy execution framework. Business impact analysis collects results data from programs and projects as they progress and feeds it back into the portfolio.
OPM: Portfolio review and adjustments
The intent of the portfolio review and adjustment loop is alignment and realignment to strategy. It also evaluates the degree to which the portfolio components (projects and programs) remain aligned to the original budget, scope, schedule and outcomes. A potentially overlooked value of this feedback loop is the discovery of new information that may point to previously unknown market opportunities or emerging technology applications.

OPM: Operations
Outcomes of the programs and projects are transitioned into the operations area of the business where the business value is measured.

OPM: Value performance analysis
This final feedback loop provides the business with value realization data delivered from programs and projects to business operations. It also serves as an input to ongoing strategy development that may well prompt the launch of new components to existing programs, new projects or even a whole new portfolio due to discovered technology or market opportunity.

OPM: Organizational environment
An important element of the OPM strategy execution framework is the organizational environment itself. This represents the policies and supporting practices of the organization that are created to support the OPM strategy execution framework and realization of the organization’s strategy.

Organizational Project Management & Change Management
In today’s continually evolving business environment, change is essential for organizations to stay competitive as we have seen, and business strategies are frequently related to change. Change management is a business competency that cuts across and operates throughout the OPM environment as shown in Figure 4. Portfolios of programs and projects translate the strategic vision and mission developed at the executive level into changes that will produce tangible benefits and deliver maximum value to stakeholders, ensuring continued growth and sustainable competitive advantage. These changes can be revolutionary or evolutionary.

For those organizations that have not adopted the OPM framework, there is still a need to execute well the change aspects within portfolio, program and project management even if they are conducted as a stand-alone process.
The Change Life Cycle Framework is the common element throughout Managing Change in Organizations: A Practice Guide for planning and managing change. Not all domains utilize each of the stages — only those appropriate to the domain. Portfolio management is focused on the activities at the top and bottom of the framework, but do not utilize directly the elements in between. At the program and project level, however, the entire framework has application.
For instance, even though the project charter may be provided based on its relationship to a program, it is still necessary to further formulate the change and so the planning to accommodate the inherent change in the project is further elaborated beginning with the change formulation and carrying through all five sections of the change life cycle framework.

To ensure the adoption, integration, and use that lead to benefits realization, the project plan contains those activities that initiate the ability of the organization to sustain the change. Successful projects are not built and tossed over the wall with hopes that the output is used. Rather the successful project includes considerations throughout the project that move towards benefits realization and the value intended.

The starting point is the defined business objectives of the organization. Executive management and/or the board of directors as part of their ongoing strategic planning set these objectives. Major steps in the movement from the current state to the future state include:
• **Formulate Change**: Translates the organization’s strategic plan into tangible objectives that are aligned with stakeholders’ needs and expectations.

• **Plan Change**: Planning for change includes both the “what” and “how” of change so that people, process, technology, structure, and cultural issues are all integrated into the overall program or project plan.

• **Implement Change**: Planning, implementation, and transition processes are overlapping, as shown, which reinforces the concept that change implementation is an iterative process. Implementation focuses on the process of developing the programs and projects in alignment with the strategic intent and with a view to the intended outcomes.

• **Manage Transition**: The transition process links the change initiative with the operations side of the business and business as usual. It incorporates the measures to enable the organization to sustain long-term changes. It is concerned with successfully delivering project outputs to the business rather than just throwing them over the fence. It also incorporates the measures to enable the organization to sustain long-term changes.

• **Sustain Change**: The success of any change initiative lies in the benefit value for the organization and its stakeholders; therefore, it is important to sustain the change through a number of ongoing activities that exceed the traditional scope of projects and programs.

**Change Life Cycle Framework: Formulate Change**

How does formulate change play out in detail?

• **Identify/clarify need for change**: Establish the need for change and the contribution needed for continued growth and sustainable competitive advantage.

• **Assess readiness for change**: Assess the change readiness of organizational systems, structures, culture, and people that are impacted by or needed for the change.

• **Delineate scope of change**: Clarify expected outcomes of the change and define the extent and activities necessary for successful change.

**Change Life Cycle Framework: Plan Change**

During the plan change cycle:

• **Define the change approach.** Align the change approach with the culture of the organization. Many models exist (i.e., Bridges, Lewin, Kotter, etc.) and the approach may follow one particular model or, more commonly, a blend of models. The point is there is not a single one-size-fits-all model that works for every change.

• **Plan stakeholder engagement.** Identify and engage all stakeholders, internal and external, affected by or interested in the outcomes and plan for their ongoing involvement. Prepare stakeholders to work with them and not against them. One of the biggest points of pain and potential failure is trying to force change from the top downward. It can work and sometimes is the appropriate approach for the change. But more often involving stakeholders early in the change process increases buy-in to the change and produces a better change. Resistance to change is a natural human response, but it is not always negative.
• **Plan transition and integration.** Design a plan that includes all of the activities necessary to achieve objectives and integrate with business operations. The output is not just a product or service. That on its own does not add value to the business. Only when the output is adopted and used does the organization begin to realize value from the change.

*Change Life Cycle Framework: Implement Change*

Implementation of the project or program output may be all at once or may be delivered in segments. Regardless of which one is utilized, there are three important functions that must be included in the plan.

• **Prepare organization for change.** Identify areas where specific support is required and implement support activities.

• **Mobilize stakeholders.** Inform stakeholders of the ultimate objectives for the change and enable them to actively participate in decisions impacting the change.

• **Deliver project outputs.** Products, services, and results are considered to be outputs from the change initiative.

*Change Life Cycle Framework: Manage Transition*

Manage transition is where the project or program timeline may be extended. The planning for the change resulting from the delivery of outputs occurred in the earlier phase. Here the focus is on achieving the planned results and ensuring that those results are successfully transitioned into ongoing business operations.

• **Transition outputs into business.** During the change process, as results are being delivered, continue the ongoing transition process by integrating the new capabilities into business as usual. Make sure the outputs are transitioned into the business.

• **Measure adoption rate and outcomes/benefits.** Measure results at the business level, not just in terms of product results, but in terms of performance results. It is not that the change was launched. It is about whether or not there is a change in the way business is done. The goal of the project was a business benefit, not the output itself. You can only determine success if you have a way to measure and verify the realization of intended results.

• **Adjust plan to address discrepancies.** All change initiatives have a degree of uncertainty and ambiguity; therefore, the team needs to adjust the plan on a regular basis to account for changing or evolving circumstances.

*Change Life Cycle Framework: Sustain Change*

The project or program plan should include measures for ensuring that the outcomes are sustainable for the organization. It is all too easy for the organization to slip back into old habits or ways of doing things so the sustain change step is conducted to minimize the risk and to maximize the realization of benefits from the project or program. This means that three areas need to be planned and executed during this step, but note that this activity begins to ramp up prior to project completion.
• **Ongoing communication, consultation, and representation of stakeholders.** Success of the change is reinforced by two-way communication and consultation with stakeholders. From the beginning you communicate, you consult and you ask your stakeholders to participate.

• **Conduct sensemaking activities.** Ongoing conversation and social practices enable people to make sense of what is happening during the change. You also conduct sensemaking activities. Sensemaking activities include helping people:

  - understand what is happening,
  - make sense of the change,
  - realize the impact of the change,
  - know what it is going to do for them,
  - understand where you want them to go,
  - see the vision, and
  - understand what the ultimate purpose of the change is and how it is going to affect them.

• **Measure benefits realization.** Measure success of the change through its impact on the organization.

Notice that the five steps in the framework are not discrete in that the movement to the next step does not wait until the completion of the earlier step. As noted earlier, the framework is not intended to be a recipe where you combine each of the ingredients in sequence and out comes success. This is most noticeable in this step where the process begins as early as the Formulate Change step and continues on the end. But there is even more than the just the overlap between steps.

**Adaptive Change**

Change is cyclic and adaptation to results on the ground must be made as the plan moves forward. The difficult part of change is the adaptive element represented by the arrows at the top three stages. You take two steps forward and one step back because an action often does not fully produce the intended outcome for that stage. For instance, the technology being leveraged did not work as planned or a portion of the staff did not understand the deliverable. Cyclical movement to adapt to observed results needs time, that may require a move back to earlier stages to adjust before moving forward again.

When trying new things, the outcomes do not always work as planned and so require adjustments to the plan. However, you must remain focused on the end goal or overall strategy otherwise you will become distracted by these temporary results. But you also cannot overlook the interim results as you advance the plan forward.
**Realized Value**

The reason any project or program is undertaken is to drive business value. This value may be in the form of reduced costs, improved efficiency, or additional products or services just to name a few. Simply delivering a project output is not enough. The output must be implemented and utilized as discussed earlier. The final step in the change life cycle framework is measuring the actual benefit realized and comparing that realized benefit to the original intent.

Metrics for gauging the benefit would have been determined earlier in the process; and here the benefits are compared to the original intent to show to what extent the business has indeed realized the full intended value.

**Conclusion**

Organizations today must become more innovative and agile to succeed. By its very nature innovation and agility result in constant, ongoing organizational change and managing that change well is part and parcel of realizing business results. *Managing Change in Organizations: A Practice Guide* provides guidance that further informs the standard practice of portfolio, program and project management. PMI has collected and continues to develop resources to assist organizations and practitioners to execute change well. These resources can be found at www.pmi.org/ChangeManagement.
References


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