



White Paper

## Creating a Change-Ready Organization

*Successful CIOs Integrate Project and  
Change Management Practices*

Information technology drives organizational change. For CIOs overseeing transformational projects and programs, program management and change management must go hand in hand.

## Creating a Change-Ready Organization

Transformation seems to be the default condition of today's organization. Many forces drive organizational transformation, including the need to achieve economies of scale and to innovate and the constant push to work faster, better or simply differently. Organizations also experience multiple pressures toward transparency arising from regulation, consumer preference, or the need to collaborate internally and with partners or vendors. Organizational changes are today almost indistinguishable from the technologies that enable them, putting tremendous pressure on the IT function to both reinvent itself and lead change throughout the enterprise.

From an IT perspective, driving the adoption of new technology – and therefore new modes of work – can be more challenging than implementing the technology itself. As the speed of technological change ramps up, the frequency of changes to work habits can produce deeper resistance in organizations where such changes have not previously been handled well.

In this dynamic environment, concurrent with an emphasis on change management, we have witnessed

the rise of project management as a strategic resource. A recent white paper from the Project Management Institute underscored the need for improved change management as a driver for the adoption or improvement of project management practices. At the same time, the change management research firm Prosci, Inc. has noted that the ability to stay on schedule with a change initiative directly correlates with how well the change is accepted and institutionalized. The two disciplines seem to be on a convergence course.

By nature, projects create new products, processes, or experiences: and when the project is one with a transformational component – such as implementation of new software or the reengineering of work processes in the wake of a merger or acquisition – project management is the key to smooth implementation. But, just as projects *introduce* change, project management can be used to shepherd and manage that change. Combining insights from organizational change management and project / program management gives an organization the edge. But where to start?

## Defining the Why and How

Nothing dooms a change initiative more quickly than a lack of clarity about why the change has been proposed. As with any major project, identifying the existing state and defining the desired end state, as well as a plan for bridging the gap between the two, is critical to implementing change initiatives. Yet often “change management” alone does not address these foundational issues. There are three elements of project management practice in particular that can help organizations start out on the right foot and keep transformational efforts on track.

**Scope Definition:** What will we change, and why? Normally a change initiative is kickstarted when management becomes sensitive to “pain points” in organizational life: falling revenues, spiraling expenses, project failures, and the like. Yet many change initiatives don’t really get at the root causes of these problems. The scope definition process can add clarity to the linkage between problem and solution. Often the process of defining the rationale for the change and the scope of what it includes (and excludes), leads to significant alterations in the initiative itself. Under scrutiny, a change of process or tools may be found to be unnecessary, ill-conceived, or not far-reaching enough to solve the problem it is meant to address. For example, the implementation of project management software in itself is not usually enough to instill a project management culture in the organization. Likewise, merely adding a project portfolio management capability to the organization’s tools does not create the organizational will to make portfolio decisions based on set criteria. Defining the “why” of a change clearly eases implementation and communication all the way down the line.

**Stakeholder Analysis:** Who is involved, what do they need to know and how will we bring them on board? Scope definition and stakeholder analysis go hand in hand: the scope of the initiative tells us who will need to be consulted or involved, while the identification of stakeholders usually unearths additional aspects of the change’s effects, which will need to be planned for. One aspect of stakeholder analysis is the identification of those who will be supporters of the change, as well as those who may put up barriers. Understanding the motivations of “change resisters” can add valuable knowledge about the effects of a change on the work processes involved.

**Measurement:** Having defined the rationale for the change and the scope of what it includes (and excludes), you will need to identify a manageable number of metrics that can be tracked and evaluated in order to communicate your progress and express the value of your activities. This key activity, a dimension of the project monitoring and controlling process, is one that is too often overlooked. Don’t allow the important “human factor” of managing organizational change to mask the technical and scientific side of the process. We implement changes in order to achieve practical goals, and we should be able to provide objective data about the progress and results of the change program.

These three practices, taken together, comprise a system not only for planning the implementation of a change, but for establishing the organization’s change readiness.

## Two Dimensions of Readiness

The literature on change management is littered with the remains of failed initiatives; according to some sources, the failure rate is as high as 70%. Because organizational changes can prove so difficult to implement, a large body of research has developed over the past decade focusing on readiness for change. In our experience, “readiness” comprises factors in two dimensions: the “change-ability” of the people themselves and the organizational structure and systems within which they operate.

### Individual Readiness

The subject of managing people through change is one that has spawned masses of research and hundreds of books over the past few decades; it’s beyond the scope of this white paper to discuss it in the detail that it requires. But, as a brief guide, our experience tells us that there are three groups within the organization whose readiness should be gauged:

- » Sponsors. Whose support will be required? Are they ready to not only drive the change but to lead it by example?
- » Change Agents. Are the project managers and others who will need to explain and model the change to others fully informed and supportive? Do they possess the skills and capabilities that will be required to implement the desired changes?

- » Target Population. Have all those who will be affected by the change been identified, and is there a plan of “over-communication” in place to address their fears and questions at every step?

Table 1 shows examples of questions that identify a readiness score for Change Agents and the Target Population.

For successful change, those involved must have “skin in the game”: their *perceived* value of the initiative will outweigh any objective value you assign to it. This is where the stakeholder identification and assessment practices of project management can make the difference between success and failure. Change agents must be willing to hear all the objections that stakeholders raise to the change. Some of these will merely need to be addressed in the communications or planning; but in other cases, stakeholders may be aware of issues that you have not considered. Particularly with a technology-facilitated change, the technocrats in an organization often have unique tacit knowledge that can prove invaluable in sidestepping pitfalls to implementation.

**Table 1. Assessing Stakeholder Readiness.** Responses, expressed on a Likert scale (1 – 5) for each question, totaled and averaged, will result in a readiness score.

Change Agents	Target Population
The change agent(s) have <b>implemented change in the past.</b>	The target population is <b>willing to disrupt the status quo.</b>
The change agent(s) are <b>trusted and respected by the target</b> of the change.	The target population is able to <b>accurately assess and articulate feelings</b> about the changes.
The change agent(s) <b>build committees and strive for involvement and consensus</b> in implementing the change.	The target population is willing to <b>adjust and negotiate the future state.</b>
The change agent(s) are <b>experienced</b> in the use of <b>project management practices, processes, and tools.</b>	The target population has access to <b>complete, and trusted,</b> information about the reasons for and process of the change.

Source: PM Solutions Change Readiness Assessment

### Organizational Readiness

Naturally, the organization is made up of people. But that's not all there is to it. When implementing change, there are aspects of readiness that are more than merely personal. The organization's history of dealing with previous changes, whether the culture is flexible or rigid, how involved top leadership is willing to be, and the existence of communications infrastructure that is both usable and used by all the target populations of the change – these issues will help or hinder personal readiness. Issues related to organizational readiness must therefore be addressed first in order to create the organizational support for the initiative. Table 2 shows examples of questions that identify readiness scores in the areas of Leadership and History.

Research has shown that change readiness declines in an atmosphere of uncertainty, so organizations that have been through particularly turbulent times have an uphill battle in proposing additional change initiatives. Trusted leadership is a requirement to build confidence in the proposed solutions. Change sponsors must:

- » Participate *actively* and *visibly*.
- » Build a coalition with peers and managers – those who influence the organization.
- » Communicate throughout the project.

Three key characteristics of a guiding coalition are:

- » Position power – Leaders of the change must have the clout to make important decisions and assure resource availability.
- » Expertise – Peer members of the coalition may be experts who have earned the respect of their coworkers.
- » Credibility – As with any organizational challenge, trusted colleagues get better performance; open communication supports and expands such trust.

**Table 2. Assessing Organizational Readiness.** Responses, expressed on a Likert scale (1 – 5) for each question, totaled and averaged, will result in a readiness score.

History	Leadership
Defined the future state at the corporate and departmental levels.	The sponsor(s) understand the external drivers of change and the cost of not changing.
Communicated the need for change throughout the organization.	The sponsor(s) communicate a personal commitment to achieving the future state.
Provided people with the resources they needed to make changes.	The sponsor(s) are willing to provide the resources (time, money, staff) to achieve the future state.
Encouraged the expression of resistance and responded to it.	The sponsor(s) are willing to align rewards/reinforcement to support the future state.

Source: PM Solutions Change Readiness Assessment

## Communicating for a Change

The change-ready organization will have a communication plan and infrastructure in place that begins, in advance of the change implementation, to create a vision, build consensus, respond to issues and promote continuous improvement – all the while providing opportunities to collect data about the change process.

Creating the vision for the change is part scope definition, part strategic planning and part marketing. The reason for the change needs to address some pain point that is important to the organization, and it must be expressed in terms that win the support and acceptance of the target population. For example, describing the existing problem may be less inspiring than describing the planned future state of the organization. Ideally the vision should be co-created with members of the target population, using surveys or focus groups. When the vision is rolled out, it should include:

- » A description of the end state.
- » A defined transition path.
- » The visible and vocal support of the sponsors.
- » A description of how the change aligns with organizational goals.
- » An explanation of “what’s in it for them.”

The development of a communications plan that identifies what types of communication each group will receive, and on what schedule, is a key success factor. Change management experts agree that it isn’t possible to over-communicate about organizational change.

The communication cannot be top-down and one-way, even though it is important for all levels of the organization to hear from executives that the changes are necessary and enthusiastically supported. Each communication should provide a channel for response, whether this consists of meetings with question and answer periods, direct emails, or online discussion forums. The sense of being heard goes a long way towards lessening resistance, so plan for iterative forums where those being asked to change their work processes can provide input. As Peter Senge has written, “People do not resist change ... but they resist being changed.”

## How Are We Doing?

As previously mentioned, measuring the performance of the change initiative should not be an afterthought, but an integral element of project initiation. By first identifying the key metrics that you want to improve on you can baseline current organizational performance. As the changes are implemented, the change in performance will tell your success story for you. This builds buy-in with your target population and, at the same time, establishes the value of your work with the sponsors.

As with any initiative, change must “start with the end in mind.” When developing the metrics that will communicate whether or not the change is established, or has succeeded, we must know what business objectives the change is intended to bring about. Building a vision of the changed organization can be accomplished in numerous ways; one approach is to engage in a “what if?” exercise with stakeholders. This helps to surface both reasons for the change and potential sources of resistance to it. For example:

Successful selection of measures will result in a manageable number of data points that, taken together, give a full picture of the initiative’s progress. For example, in an initiative to implement improved project management practices, while it is important to track improvements in budget and schedule compliance, you will also want to measure the “human factor” by tracking adoption rates of the various practices, or surveying employee morale before and after. In the case study on page 9, the organization selected measures that ran the gamut, from cycle time to customer satisfaction, giving a rounded picture of the effects of the change on the enterprise.

### Change Initiative Value Justification Analysis

Value / Objective	What If We Could ...?	Related Measure
Profits from increased revenue	Come out with a new product?	Time to market Increased market share Increased order volume
Reduced costs from displaced costs	Sell more products online?	Inventory costs Headcount or facility costs
Reduced costs from avoided costs	Improve employee turnover? Save energy costs?	Turnover rate / cost to onboard employees Baseline / savings on energy
Intangible benefits	Improve morale? Improve customer loyalty?	Turnover rate / satisfaction scores Repeat purchase rates
Synergies / economy of scale from a merger or acquisition	Merge processes and systems seamlessly with the new entity?	Productivity Software / hardware total cost of ownership Decreases in downtime and/or defects

## Case Study: A Fast-Track PMO Implementation Rescues Troubled Projects

One of the largest privately-held staffing companies in the United States, with more than 8,000 internal employees and 90,000 contract employees, experienced phenomenal core business growth while also diversifying into new industries. This growth put tremendous strain on IT resources supporting a growing list of projects, from business-critical IT infrastructure to system enhancements for standardizing business practices across newly acquired business units. The CIO's vision for the future of IT included improved project delivery while maintaining costs and holding staffing levels to the absolute minimum.

Using a PMO Implementation Model developed over many years of experience, the PM Solutions team assessed existing levels of project management maturity and competency and customized a project management methodology for the client's business climate that comprised traditional project management, agile project management and the touch points between project management and software development life cycle methodologies. Culture change was sparked by professional training, performing project reviews and project health checks, addressing the need for a project governance structure and implementing systems for improving project portfolio management and resource management / planning. Finally, metrics were introduced so that resulting gains in project performance and productivity due to the PMO implementation could be tracked.

**The Result:** Within six months, a fully-functional PMO was implemented including project portfolio management tools. The resulting visibility into projects allowed the client to recover 100% of the troubled projects in a portfolio valued at approximately \$13 million, while significantly improving project manager morale as well as project performance and customer satisfaction. The new structure and practices allowed the organizational changes inherent in acquisitions to be dealt with systematically.

## Leverage the PMO

Wise CIOs will not overlook the critical role that a project management office (PMO) can serve. At a recent project management conference, practitioners and speakers at a panel discussion converged on one topic: that organizational change management is a primary future role for the PMO. As one speaker noted, "the reason we build a PMO is to benefit the organization ... to serve transformation and to drive value."

With expertise in program management and performance measurement, coupled with skill in facilitation, assessment and communications planning, the PMO is the logical choice for managing organizational change and sustaining stakeholder involvement, and in fact, the *2012 State of the PMO* research shows that 41% of them already perform this vital function. Increasingly tasked with a mandate to execute strategy, the PMO should be leading the change programs that will transform your organization.

If your PMO lacks organizational change management capabilities, call on unbiased outside expertise to help you approach your change initiative as a project, while concurrently transferring change management knowledge to your organization.

## Case Study: Agile Project Management Practices Cut Cycle Time in Financial Services IT

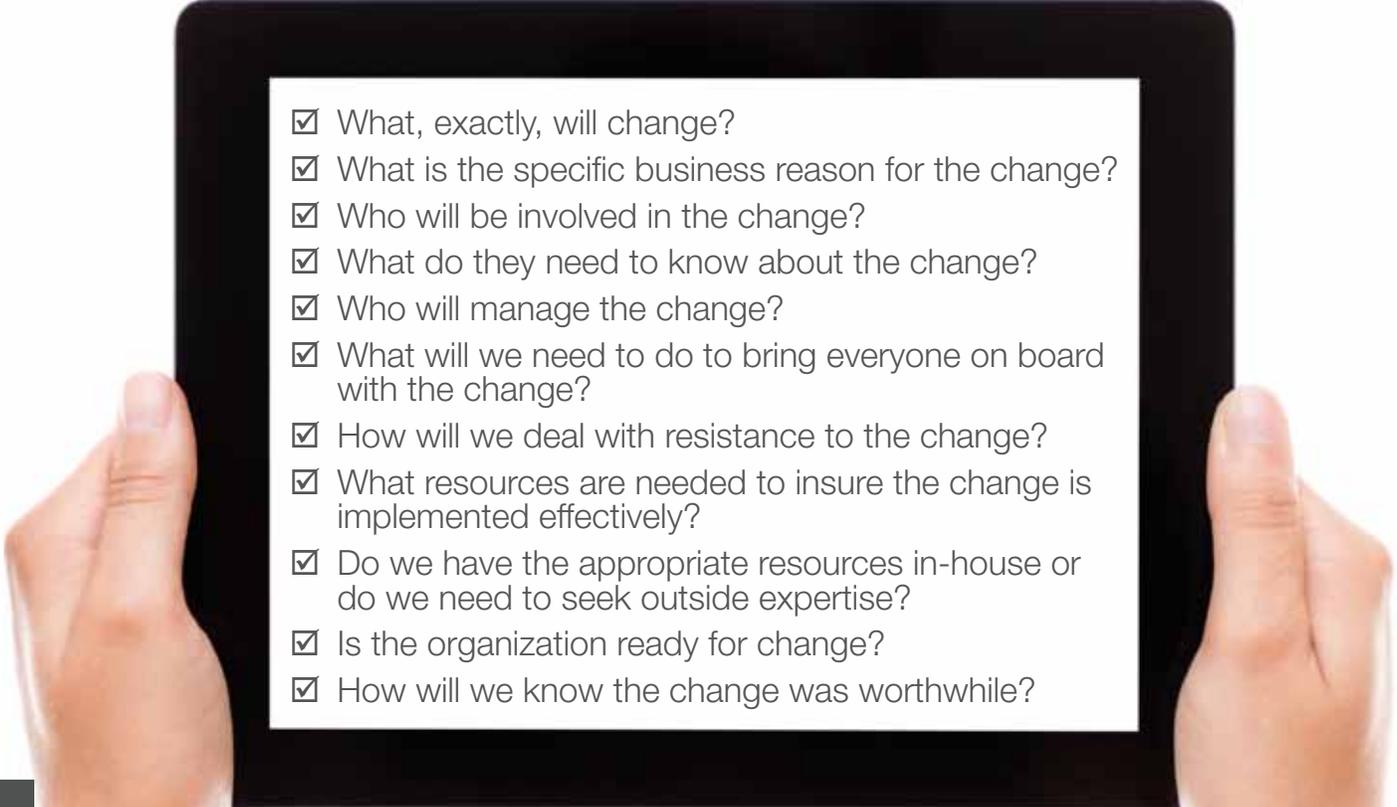
With a project portfolio numbering in the hundreds of projects, the client – a Fortune 50 company providing financial services to clients in North America – needed to decrease time-to-market. As part of an initiative to reduce average project duration by approximately 50% and improve internal customer satisfaction by 25%, they adopted the Scrum framework and other agile product development techniques. For a project management environment based almost entirely on traditional phase-based / deliverable schedules, implementing this new management approach was a major organizational change. The client opted to combine consulting on agile project management practices for project managers and other project leaders with agile project management education and training tailored for their specific environment. PM Solutions provided coaching to teams employing agile development practices and mentored the client's project management organization through the changes the new practices imposed on an organization schooled in traditional approaches.

**The Result:** Two years after initial consulting efforts began, the following metrics revealed the extent of the organizational changes that had been instilled:

- » Approximately 20% of the portfolio of projects had adopted some form of agile project management.
- » Average project duration decreased by approximately 20%.
- » Customer satisfaction ratings increased nearly 30%.
- » Project startup duration decreased from an average of 10 weeks to 3 weeks.
- » Time-to-first-solution implementation decreased from an average of 20 weeks to 7 weeks.
- » 90% of projects adopting agile practices and techniques now deliver the desired value to end-users on-time and within initial budgets – by contrast, the traditional approaches were yielding approximately 50% on-time and within initial budget.
- » Management mandated a doubling of the percent of projects using agile methods.
- » The company established aggressive project cycle-time reduction goals that will dramatically reduce average project cycle time by nearly 50%.

## The CIO's Change-Readiness Checklist

In summary, CIOs need to have detailed answers to the following questions to ensure successful change initiatives:

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- What, exactly, will change?
  - What is the specific business reason for the change?
  - Who will be involved in the change?
  - What do they need to know about the change?
  - Who will manage the change?
  - What will we need to do to bring everyone on board with the change?
  - How will we deal with resistance to the change?
  - What resources are needed to insure the change is implemented effectively?
  - Do we have the appropriate resources in-house or do we need to seek outside expertise?
  - Is the organization ready for change?
  - How will we know the change was worthwhile?

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## Need Support with a Major Change Initiative?

PM Solutions can help at every stage. We regularly help clients work through the readiness aspects of a change initiative, properly plan for the transition, and provide expert transformational resources to carry out the plan.

Visit [www.pmsolutions.com/change](http://www.pmsolutions.com/change) to learn more about how we can help you successfully deliver a change initiative.



# pmsolutions

PM Solutions is a project management consulting firm that helps PMO, project, and business leaders apply project and portfolio management practices that drive performance and operational efficiency. Comprehensive offerings include PMO transformation, portfolio process improvement, consulting, and corporate training and competency development delivered through our training division, PM College®.

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