Chapter 70
Managing Organizational Change

Martin L. Bariff
Illinois Institute of Technology, USA

ABSTRACT

Many project deliverables extend beyond a product or a service for sale to customers. The deliverable may include a new or a revised process for internal workflow or relations with customers, suppliers, or partners. The success of these projects will depend upon adoption of the new or revised process in addition to typical metrics for cost, schedule, risk, and quality. The project manager and team will be responsible for "managing organizational change"—a skillset that is not addressed within the Project Management Institute Body of Knowledge. The purpose of this chapter is to provide sufficient knowledge about approaches and implementation for organizational change to achieve total project success. Case studies are included to illustrate best practices and lessons learned.

INTRODUCTION

Organizations operate in increasingly complex, dynamic, and uncertain environments. Shorter product life cycles, faster changes in customers' buying preferences and the globalization of markets are some of the drivers toward more frequent changes in products and services for sale, operating processes, and business strategy. Thus, organization change has become the norm rather than the exception.

Many organizations have shifted from a functional silo structure to a cross-functional, process-centric orientation. For example, an "order-to-fulfillment" process team in a manufacturing company would include participants from sales (order entry), production, possibly procurement, billing, warehouse, and shipping functional areas. These mostly digital processes extend outward to customers, distributors, suppliers, and partners. To improve the quality of the customer experience and employee productivity, business processes are reviewed frequently for opportunities to improve performance. These process improvement projects

vary in scale from an incremental change to a transformational change. At all scales of improvement, some degree of organizational change will be included. Project managers must be prepared to address this challenge.

With the movement toward becoming a social business, collaboration among internal and external stakeholders has become more challenging for both business and information technology management. E-mail still has a role in communications; however, the growing portfolio of adopted social media tools has radically changed the nature of collaboration among an organization's internal and external stakeholders. Employees are able to utilize a variety of internal social media applications, e.g., blogs, Facebook-type, Twitter-type, and wiki's to share knowledge and improve coordination. Sandy Carter, an IBM Vice President, Social Business describes this phenomenon as:

At its core, a Social Business is a company that is engaged, transparent, and nimble. A Social Business is one that understands how to embrace social technology, use it, get value from it, and manage the risk around it. A Social Business embeds social tools in all its processes, and for both employees and clients—the entire ecosystem (Carter, 2012, p. 6).

Some employees are enthusiastic about these tools; others are resistant. In contrast to developing a new consumer durable goods with appropriate, antecedent market research, the outcome after implementation of a social media tool may be as intended or unintended. Many consultants use "ppt" (people, process, and technology) as one lens for planning an engagement. The people element is considered to be the greatest challenge. The project manager needs organizational change skills from within the team or an organizational development consultant to address this challenge.

Project management skills (Bolles, 2004) emphasize analytical and quantitative tools, e.g., CPM/PERT, earned value analysis; yet, behavioral skills also are included, e.g., leading a cohesive team, resolving conflicts, and communicating with all stakeholders. Managing organizational change, however, represents a new skill set that has become increasingly important in many projects to achieve a successful outcome. Further, project management skills can be applied beneficially to organizational change. "Dutch" Holland, an experienced change management consultant (Holland, 2000, p. xvi) shared "While I had been exposed to both project management and program management in the Air Force, my time at NASA helped me appreciate these two management disciplines and the roles they played in systematic organizational change." An examination of three case studies (Crawford & Nahmias, 2010) suggested that when the degree of planned behavior change is high, project managers with strong change management skills could lead the effort; else, a change management professional should co-lead the effort.

Thus, there are two perspectives on organizational change and project management. One view is that project management may include an organizational change agenda to achieve a successful project outcome. Another view is that an organizational change engagement using project management as its framework will improve its chance for success. Even an organization context that is changing dynamically could utilize an agile project management approach (Wysocki, 2012, Ch. 11). The focus of this chapter is the former view—including organizational change as a project management activity.

Managing organizational change may be viewed as a type of organizational design project itself. Galbraith's (1977, p. 31) Star Model includes these fully-connected elements:

- **Goals:** Choice of strategy.
- **Structure:** Mode of organization.
- **Information and decision processes:** Data and decision models.
- **Task:** Difficulty and inter-relatedness.

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