CHANGE MANAGEMENT IN MODERN ORGANIZATIONS

Slobodan MORACA, Danijela GRACANIN, Jelena CIRIC

Faculty of Technical Sciences, Novi Sad, SERBIA

ABSTRACT:
Organizations continue to change in response to major shifts in the environment and as a result of internal, planned efforts to achieve greater profitability, quality, and effectiveness. Yet many organizational change efforts fail or do not fully meet stated goals or objectives, resulting in a variety of negative outcomes, including sunk costs, organizational ineffectiveness, customer dissatisfaction, low morale, high turnover, and wasted resources.
Keywords: Change management, organization, project management

1. INTRODUCTION

Organizations can survive in a dynamic environment only, if their speed of learning and changing meets the dynamics of their environment [1]. Therefore organizations have to build up complexity, in order to cope with the complexity of the environment. Change management allows building up and reducing complexity as well as dealing with the dynamics of organizations.

The term "change" relates to an important and basic development. Changes are of different intensity and speed, and can occur at the individual, the group, the organizational, or the societal level [2]. Change has a strategic dimension, as it is "the movement of a company away from its present state toward some desired future state to increase its competitive advantage" ([3], p. 486).

Traditional life cycle models of organizations define situations, in which changes are required. The organizational growth model from [4] e.g. differentiates the leadership crisis, the autonomy crisis, the red tape crisis, and the development crisis, as reasons for organizational growth. It is assumed, that changes (in the form of growth) are caused by crises.

Similarly Pümpin and Prange [5] and Bleicher [6] relate their phases of the organizational life cycle (pioneer, market development, diversification, acquisition, cooperation, and restructuring phase), to crises situations. The management literature obviously focuses primarily on growth scenarios, decline as a development scenario of organizations does not seem relevant.

From a systemic point of view reasons for changes can either be interventions from the relevant environments (e.g. shareholders, clients, suppliers) of an organization or its internal dynamics, based on the self-organizational capabilities of a social system. Self-organizational processes of a company are e.g. strategic planning and controlling, monitoring the environment, etc.

The company that survives has to change. These changes may be greater or lesser extent, but must be directed towards a common goal - a new improved state of the whole system.

2. THE NEW CONCEPT OF CHANGE IMPLEMENTATION

Propositions underpinning our research and discussion evolved from a non-conventional, emerging perspective of utilising a project concept in implementing organisational change. Empirical evidence presented here shows that a significant number of contemporary organisations, consciously or unconsciously, institutionalise the implementation of change as a project. In order to evaluate the findings and propose some ways for improvement of employed methods and techniques, and to avoid further confusion over expanding on new terminology, we adopted the notion of project as a generic form of change implementation. Consequently, it was necessary to conduct a deeper analysis of contemporary dynamics in theory and practice of project management in order to support research design, data analysis and both generalisation and customisation of findings.[11]

As opposed to traditional definitions of projects which, generally, limit the scope for investigation of project-related processes to monitoring and control of cost, time and quality, the 1990s have seen the expansion of the project management body of thought to include a much wider range of management issues specific to projects in all types of organisational and industrial settings.

In the marketplace, there is evidence of a degree of rivalry between Project Managers and Change Managers concerning who should be managing business change. And these are not the only contenders. Corporate executives and senior managers, are generally the change owners, and although they may engage the assistance of both Project Managers and Change Managers, generally see themselves as taking the leading roles in major organisational changes and transformations. As such endeavours are most likely to take the form of programs, comprising multiple projects across the organization, Program Managers are seen by some as being most likely to be responsible for managing organisational change initiatives [13].

There is a popular view in the project management community that Project Managers are managers of change or change agents [14], but others consider that projects or programs that require significant amounts of behavioral and organisational change and demand high levels of interpersonal skill, astuteness and sensitivity and a fundamentally different approach to the candid, direct, and rational style valued in competent Project Managers. They also suggest that Project Managers, or Project Managers promoted to Program Manager roles are not always suited to the demands of organisational change projects. They need to learn skills and capabilities beyond those required to manage a typical project in order to drive change.

In practice the role of the Change Manager has emerged from a different disciplinary background to that of Project Managers. Project management can be seen as having its origins in engineering with a focus on planning and control while organisational changes a discipline has grown from the Organisational Development field and places significant emphasis on the behavioural aspects of managing change. This leads to the recognition that there are two distinct bodies of knowledge underpinning the practices of the Project Manager and the Change Manager. The project management body of knowledge is well defined in standards and guides produced by the project management professional associations. The field of organisational change and development is less well served in terms of professional and representative bodies [14] and practice standards but arguably much richer in terms of theoretical foundations. Consideration of both fields suggests that Change Managers coming from organisational development backgrounds may lack the technical and administrative discipline of project management, while Project Management qualifications offered by the professional associations and even the majority of academic institutions do not require Project Managers to demonstrate practice or underpinning knowledge in organisational development or behavioural aspects of change.

Scientific techniques of project planning, monitoring and control have been major obsessions of generations of project managers. It is the feature which project management discipline inherited from its engineering origins together with the assumption that the stages of project life cycle are universal and will unfold in a rational-linear manner, provided the techniques of monitoring and control are effectively applied. However, it has become clear that different types of projects require different approaches to the management process and different individual skills to cope with associated, specific levels of ambiguity and uncertainty in start-up and implementation phases. Scholarly work and empirical evidence in recent years have illuminated a delicate issue of differentiating between project goals (the ultimate benefit or purpose of the project) and delivery objectives (the outcome or product of project effort according to the specification, and within time and cost constraints). There has been little understanding of a dynamic link between specification of project objectives (deliverables), the design of methods for achieving them, and the ultimate benefit of the project deliverable - the project goal, which justifies the reason for project initiation in the first place.

One of the most comprehensive definitions of projects is proposed by Turner and Cochrane [7] as: an endeavour in which human, material and financial resources are organised in a novel way, to undertake a unique scope of work of given specification, within constraints of cost and time, so as to achieve unitary, beneficial change, through the delivery of quantitative and qualitative objectives. This definition embraces the realities of four distinctive categories of projects in modern organisations, namely:

❖ engineering;
❖ new product development;
❖ system development; and
❖ organisational change projects.

As levels of ambiguity and complexity vary among the four project types and throughout their life cycles, project managers and project leaders need to be equipped with skills necessary to negotiate, manage and decrease uncertainty around objectives and methods definition in project start-up and implementation phases. Organizations continue to change in response to major shifts in the environment and as a result of internal, planned efforts to achieve greater profitability, quality, and effectiveness. Yet many organizational change efforts fail or do not fully meet stated goals or objectives

[8], resulting in a variety of negative outcomes, including sunk costs, organizational ineffectiveness, customer dissatisfaction, low morale, high turnover, and wasted resources. As we face a time of unprecedented pace and magnitude of change, we need to more fully understand organizational change processes to ensure the effective and efficient implementation of organizational change.

3. PROBLEM SOLVING FOR CONTINUOUS IMPROVEMENT

By defining projects as temporary organizations, the formal establishment of a project , its integration into the overall company organization, and the development of a project specific culture is emphasized. The perception of projects as social systems further promotes the context orientation in project management. The relationship of a project to company strategies, to the other projects performed simultaneously, to the relevant social environments, and to the business case of the investment initialized by the project become a concern. „Social" project controlling, i.e. the controlling of the relationships to relevant project environments and the relationships in the project organization, is considered in addition to controlling the hard project facts (progress, schedule, costs). The objects of consideration in the project management process are not only the scope of work, the project schedule, and the project costs but also the project objectives and the project income, the project organization, the project culture, as well as the project context dimensions, relationships to the relevant environments, to other projects, and to the company strategies, as well as the business case.

The project start is the most important project management sub-process, because in it the basis for the other project management sub-processes is established. The project plans, the project communication structures, the relationships to relevant environments, etc, are developed and defined in the project start process. For each project management sub-process the objectives, functions, methods, responsibilities, and deliverables can be described, which allow to measure the quality of the project management process.

A project needs an appropriate degree of complexity to be capable, to relate appropriately to its environment. It is a project management function, to build up and to reduce the project complexity. The differentiation of project roles, the creation of sub teams as well as the consideration of different functional disciplines and hierarchical levels in the project team, are organizational possibilities for building up complexity. The application of different project management methods (i.e. the work break-down structure, the schedule, the cost- and resources plan, the risk analysis, the project environmental analysis, etc.) offers different perspectives of the project. This „multi-method approach" further contributes to the development of the project complexity.
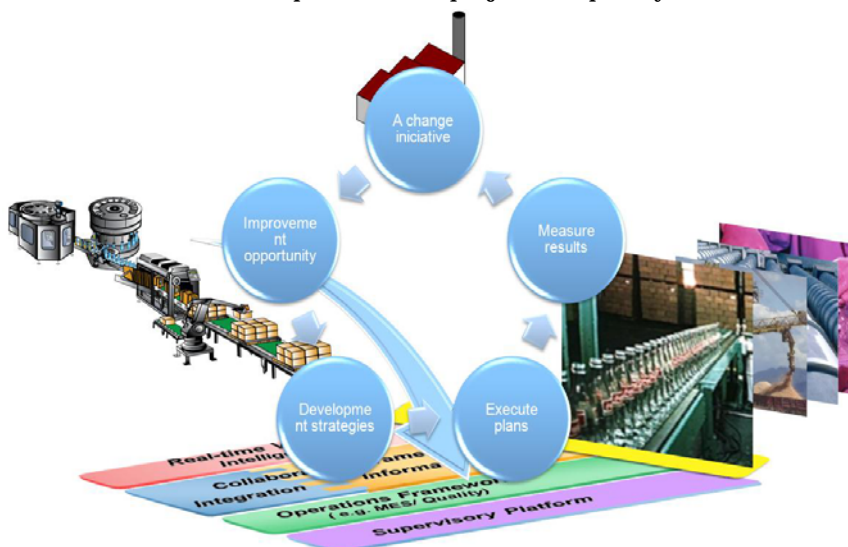

Figure 1. A model of how an organization sets targets and manages its work

A reduction of project complexity occurs by the application of project management standards and by agreements. Let us take a look at a simplified picture of how an organization plans and manages its work.

The process starts with the management team creating a set of objectives that will meet the needs of the business and satisfy the key stakeholders or shareholders. Next, a set of strategies must be developed that describe the plans to be put in place to ensure that these objectives are met. When these plans are implemented, projects are defined and executed, operations managed, resources assigned, time-scales agreed and ownership allocated. Various systems measure accomplishment of the plans – milestones achieved, products delivered, money spent etc. Results are fed back and compared against the plans. As necessary, changes are made to the plans, strategy and even the objectives as necessary, reflecting the organization's progress in achieving its overall business plan. It all appears straightforward, but many businesses are unable to implement their plans effectively. They cannot cope with change – and it isn't clear where and why the process is breaking

down. The most important issue to recognize, and the reason why some organizations cope with complexity and change while others struggle inefficiently is that resources – the key to the organization actually implementing its plans and achieving its goals – are usually shared across operations activity and project work. Management by projects is about successfully handling this complexity. And this is extremely important to an organization's success because what usually determines the success or failure of an organization is not how brilliant the strategy is, it's how well the plans get executed.

Companies invest in infrastructure changes, in new products or services, in new markets, in the organization, or in their personnel. A project or a programme might involve initializing such an investment. Therefore, an investment decision is often the basi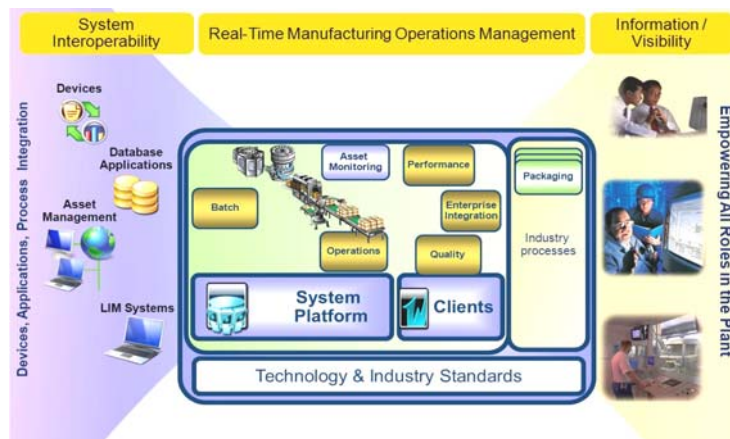s for the decision to pursue a project or a programme. We must assure the alignment of an investment with the company strategies. Process management allows project managers to contemplate changes and ask, "Should there be an application development function in this organization?" New concept of change implementation doesn't mean tinkering with what already exists or making incremental changes that leave basic structures intact. ... It means asking the question: 'If I were recreating this company today, given what I know and given current technology, what would it look like.'

Figure :2 Model of modern project oriented organizations

... It involves going back to the beginning and inventing a better way of doing work.

The "better way of doing work" is, of course, a new methodology. How does management encourage the staff to work with a new methodology? By rolling it out in a process management tool. Thus, the cycle is complete — process improvement needs better estimating, better estimating needs meaningful project history, project history needs a standard chart of accounts, a standard chart of accounts must come from a methodology, a methodology needs to be automated with a process management tool, and a process management tool provides the basis for process improvement.

3. CONCLUSIONS

Projects can provide an impetus to overcome resistance, allowing the change to build up a momentum and they can be used to pilot a new structure [10]. But it is never the whole change to be managed by one project. Each change process requires a different organization for its performance. There are decision gates between the processes, by which the strategies regarding the next processes are decided on. By performing sequential processes by projects leads to a chain of projects. According to Gareis [11] the reasons for managing by chains of projects are:
❖ to assure operational project objectives,
❖ to provide project-specific organizations,
❖ to consider project-specific relevant social environments,
❖ to assure the adequate personnel qualifications for each project, and
❖ to allow for project-specific evaluations.

To cope with this differentiation the following integrative measures are required in order to manage by chains of projects:
❖ promoting overlapping personnel assignments,
❖ assuring consistency in holding the roles change owner and change manager during the all change projects,
❖ developing an overall business case for the change, and
❖ assuring a consistent management culture.

REFERENCES

[1.] DOPPLER et al., 2002 K. Doppler, H. Fuhrmann, B. Lebbe-Waschke and B. Voigt, Unternehmenswandel Gegen Widerstände – Change Management mit den Menschen, Campus, Frankfurt, New York (2002).

[2.] KASPER and MAYRHOFER, 2002 H. Kasper and W. Mayrhofer, Personalmanagement, Führung, Organisation, Linde Verlag, Vienna (2002).

[3.] HILL and JONES, 2001 C. Hill and G. Jones, Strategic Management, Houghton Mifflin, Boston (2001).

[4.] GREINER, 1972 L.E. Greiner, Evolution and revolution as organizations grow, Harvard Business Review 50 (4) (1972), pp. 37–46.

[5.] PÜMPIN and PRANGE, 1991 Pümpin, C., Prange, J., 1991. Management der Unternehmensentwicklung, Phasengerechte Führung und der Umgang mit Krisen. Campus, Frankfurt, New York.

[6.] BLEICHER, 2004 K. Bleicher, Das Konzept Integriertes Management (seventh ed.), Campus, Frankfurt (2004).

[7.] TURNER, J.R., COCHRANE, R.A. (1993), "Goals and methods matrix: coping with projects with ill defined goals and/or methods of achieving them", International Journal of Project Management, Vol. 11 No.2, .

[8.] KOTTER, J. P. (1996). Leading change. Boston: Harvard Business School.

[9.] KOTTER, J. P. (1999). Leading change: The eight steps to transformation. In

[10.] TURNER and MÜLLER, 2003 J.R. Turner and R. Müller, On the nature of the project as a temporary organization, International Journal of Project Management 21 (3) (2003), pp. 1–8.

[11.] GAREIS, 2005 R. Gareis, Happy Projects! (Engl. ed.), Manz, Vienna (2005).

[12.] CICMIL, 1999 S. Cicmil, An insight into management of organisational change projects, Journal of Workplace Learning 11 (1) (1999), pp. 5–15.

[13.] PELLEGRINELLI et al., 2007 S. Pellegrinelli, D. Partington, C. Hemingway, Z. Mohdzain and M. Shah, The importance of context in programme management: an empirical review of programme practices, International Journal of Project Management 25 (1) (2007), pp. 41–55.

[14.] TURNER et al., 1996 J.R. Turner, K.V. Grude and L. Thurloway, The Project Manager as Change Agent: Leadership Influence and Negotiation, McGraw-Hill, London (1996).

[15.] HUGHES, 2007 M. Hughes, The tools and techniques of change management, Journal of Change Management 7 (1) (2007), pp. 37–49.