Pathway to Organizational Change

This chapter begins by describing the project office concept and introducing the idea that the members of the project office need to think and act as organizational change agents. This is followed by a discussion of the idea of planned organizational change and the role of the change agents in that process. The change theme is then further developed by detailing the steps involved in implementing a project office aimed at leading the change process. The steps include establishing a sense of urgency, developing political acumen, creating a guiding coalition, developing a vision and strategy, communicating the change vision, developing short-term wins, developing broad-based action, consolidating the successes, and making the change stick. These steps will allow you to develop a project office that can lead the change to a project-based organization.
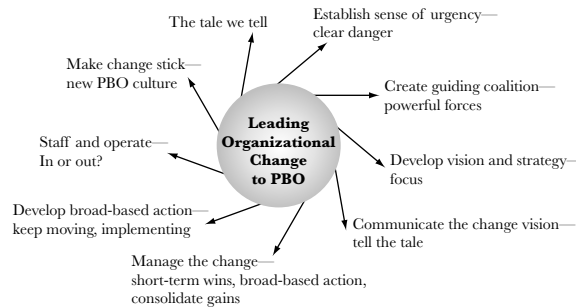
CHAPTER ONE

LEADING ORGANIZATIONAL CHANGE

Abandon despair all ye who enter here.

Dante's *Inferno* opens on the evening of Good Friday in the year 1300. Traveling through a dark wood, Dante Alighieri has lost his path and now wanders fearfully through the forest. The sun shines down on a mountain above him, and he attempts to climb up to it but finds his way blocked by three beasts—a leopard, a lion, and a she-wolf. Frightened and helpless, Dante returns to the dark wood. Here he encounters the ghost of Virgil, the great Roman poet, who has come to guide Dante back to his path and to the top of the mountain.

This book is your Virgil—a guide for all those involved with project management and the move toward project-based organizations. It depicts the journey or process of changing an organization to be more efficient and more profitable by developing an organization-wide project management system, often called enterprise project management.

The enterprise approach to managing projects is a managerial philosophy based on the principle that company goals are achievable through a web of simultaneous projects that calls for a systemic approach and includes corporate strategy projects, operational improvement, and organizational transformation, as well as traditional development projects. The concept is based on the idea that prosperity depends on adding value to business, and that value is added by systematically implementing projects of all types across the enterprise. If those projects are managed effectively, then the company's bottom line will be greatly enhanced.

The tale we tell

Establish sense of urgency—
clear danger

Make change stick—
new PBO culture

Create guiding coalition—
powerful forces

Leading Organizational Change to PBO

Staff and operate—
In or out?

Develop vision and strategy—
focus

Develop broad-based action—
keep moving, implementing

Communicate the change vision—
tell the tale

Manage the change—
short-term wins, broad-based action,
consolidate gains

Some readers may feel like Dante, facing an unknown ordeal to achieve success that can only be imagined. Many obstacles appear like beasts along the dark path. You, too, look for a guide and a way to reach the top of the mountain—and have found one here. Unlike Dante, however, you will need to enlist others to join you in the quest; no one can carry a project office alone.

Many organizations have attempted to improve their abilities and project management over the last decade. Much of this attempt met with limited success. People were sent out to be trained as project managers, only to find that when they returned to the organization they were not allowed to perform in the way they were trained. As people and organizations discovered that the individual training approach was not leading to improvements, there arose a movement where a person or group of people in the organization were charged with, or charged up about, systematically improving project management practice across the entire organization, thus helping the organization to change to an enterprise project management system.

This venturesome group has any number of names, including a Project Management Initiative or a Project Management Center of Excellence, with the umbrella name *project office* currently in vogue. As these groups became successful, they found that more of their effort was associated with organizational change than with the practice of project management itself. Thus these groups became primary change agents, either self-proclaimed or assigned, for the process of implementing enterprise project management.

Many participants in the project office movement were surprised to discover their role as change agents. Many lamented that to be effective in this role they should have initiated the office as an organizational change approach in the first place. This book takes just that approach and assumes that a project office, when properly implemented, will become a leading vehicle driving the organization toward project-based operations and thus enterprise project management. The book

aims at helping develop this group of change agents so that their efforts will be enthusiastically applied throughout the organization, helping them bring about real change in the organization and avoid ending up as just another staff group.

This book is written by a combination of consultants and practitioners. As consultants, the primary authors extract general principles for implementing a project office and present these in chapters. There are also contributions from practitioners who are in the trenches, actually running project offices and applying many of the same general principles. This combination of general principles and real-life examples—theory with theory-in-practice—present an excellent road map for future practitioners to use.

The Developing Project Office Movement

Project management has its roots in the construction and engineering trade. Project management began outside the organization—the original project offices were in trailers parked out on construction sites. Introduction of PERT charts ushered project management into organizational settings. The real impetus to developing project management was its use in software projects and other new product development projects. Over time, and probably after a number of resounding failures, it became evident that project management was an important skill, one that should be developed in order to avoid future failures. Looking further into the future, some organizations began to see project management skill as a competitive advantage. Groups were formed to look into the situation and it was at this point, about the late 1980s and early 1990s, that we began to see project office groups emerge. This situation, at AT&T, is typical of the period:

A small group of dedicated project managers, who had found each other in business meetings, conferences and classes, realized that they shared the same passion for project management. This group decided to band together to address the prevalent project management issues that existed at that time— constrained resources, lack of standard process or methodology, little or no training requirements and inconsistent project performance. They knew that most project managers in our company were operating within independent circles, without a consistent way of doing project management. Managers of project managers were using different criteria to determine what should be project managed. Very few project managers had much organizational support and fewer still were trained in project management. Most, when they did act as project managers, had it as a secondary job function [Schneidmuller and Balaban, 2000, p. 1].

Things were similar in other organizations that addressed project management problems. Most people became project manager by accident, and they were appointed to the task because they had time available, not because they had any particular project management skill. Projects were not run using any consistent methodology, if they were using any methodology at all. This lack of project management skill, methodology, and organizational support led to most projects' being late, over budget, and not done to customer satisfaction.

To combat this problem, groups arose such as the Project Management Initiative at HP, described in Chapter 9 of Graham and Englund (1997). This group was specific to the engineering function and concentrated mainly on new product development projects, so others arose in other divisions, such as the project office developed for HP Consulting, described here in Chapter Seven. In addition, more organization-wide groups emerged, such as the Project Management Special Interest Group (PMSIG) at 3M, described in Chapter Five, and the Project Management Center of Excellence at IBM, AT&T, and NCR, to name a few. This movement to develop project offices is also spreading worldwide. The Star Alliance, involving United and a dozen or so other airlines is one case, as is Embraer, a leading airliner manufacturer in Brazil.

Project office development is also happening across the organization, because the enterprise project management concept can be applied to a business unit, a department, or an entire corporation. It is useful to think of it in terms of levels and typical names:

Level 1	Project level	Project Control Office (PCO)
Level 2	Division or department level	Project or Program Office Project Management Center of Excellence (PMCOE)
Level 3	Corporate level	Strategic Project Office (SPO)

Thus as long as there is a multifunctional environment that requires the simultaneous management of numerous projects, the concept remains valid. This means that an IT department could well use such an approach and continue to interface with the rest of the functional organization even if the corporation did not undergo a full conversion to the concept. At the lowest level one can find project offices devoted to one large project or one program. These project office groups can also be designed to work in one department, for one division, or for one geographic location. At the highest level we find project office groups attempting to change management practices throughout the entire organization.

This highest-level group, the strategic project office, is the one that has the best chance for directing real organizational change. It is toward this group that this book ultimately aims. However, since project offices normally evolve toward that highest level rather than start there, we describe all types of offices and change processes involved in the evolution to the strategic or organization-wide project office. We also offer specific steps and skills that individual change agents can apply to improve personal effectiveness.

The roadblocks for moving an organization project-ward are invariably the stakeholders. Although lack of resources can also be an obstacle, people present the major challenges. Principal stakeholders for enterprise project management implementation are top management, project managers and team members, functional managers, internal change agents, and consulting support personnel (internal or external). If the initiative is top-down, starting with upper management, then the effort of getting buy-in from the rest of the organization must be taken on. If, on the other hand, the idea is filtering from the bottom upward, the sometimes monumental task of getting top management to provide support for the effort calls for skillful articulation and great persistence. In this book, we present a change process that begins at the bottom and concentrates on developing project management capabilities within one part of the organization, then later relying on a top-down approach to spread those capabilities organization-wide.

Failure in implementing a project office is generally triggered by a combination of factors such as lack of top management support, underestimating the scope of organizational change necessary, lack of methodology for managing projects, insufficient efforts for developing competent project professionals, bad timing, and inadequate management of the change process. Any one of these factors is enough to set askew an effort to implement the enterprise project management concept. However, people who have had difficulties with project office implementation usually say they should have taken a change management approach from the beginning. That is, they usually began by concentrating on the functions of the office itself rather than on the change process necessary to implement such an office. This book examines the implementation processes of successful offices and uses that approach to develop a general framework for success.

Organizational Life Cycles and Approaches to Planned Change

To understand the need for organizational change, it is instructive to look at a typical organization life cycle. To an outsider, an organization may look to be in a constant state of change. Much of the change in organizations can be seen as random

shifts or reactions to competitor's product changes. Occasionally, however, organizations need planned change. The reasoning behind that suggestion is something like this. Organizations typically exploit new technology to help solve problems. As these organizations grow they institute policies and procedures that help them solve problems, both internal problems and problems of external customers they serve. If these policies, procedures, or general ways of doing things are successful, then the organization itself is successful and thrives. Over time, however, customers' problems change. For the organization to continue to thrive, it must change the solution procedures or search for customers who have the old problems that it can solve. At some point the pool of people with the old problems dries up. When that happens the organization will be forced to change its solution processes to solve the new problems or else cease to exist. And that is when the organization needs deliberate change processes. Many organizations find themselves in this position today as they move toward enterprise project management.

This need to change to more project-based procedures has recently emerged as a necessary change in the life cycles of many organizations because more of their work has become project work. As mentioned earlier, organizations began by instituting procedures to solve particular problems, normally repeated procedures aimed at producing standard products. Since these organizations have survived, we know that these procedures worked to solve the problems they faced. These procedures were later refined, enlarged, and taught to succeeding generations of workers so that the organization could enjoy the economies of scale. Procedures for developing new products or custom-made products were often haphazard as these products were usually considered to be one-offs and were a very small part of the organization's business. Over time, however, this changed dramatically for most organizations. The commercial life span of most standard products declined rapidly, giving rise to the need for project management in the new product development process. Custom-made products or systems solutions became the norm rather than the exception, giving rise to the need for project management in the product production process. This change was accompanied by the rise in the use of computers and the need for computer software and all aspects of organizational function, giving rise to the need for project management in the software development process. Changes in the environment, changes in customer expectations, and changes in the technology used in organizational processes have brought many organizations to the point where up to 80 percent of their work is project work rather than repeat process work. These organizations are at the point in their life cycles where they need planned organizational change to become project-based enterprises.

Planned organizational changes involve a conscious process with a specified leader, specified goals, and a time line. That is, it is itself a project, and the project manager should be the person in charge of implementing the project office. The overall goal of organizational change is to institute new processes and procedures that make enterprise project management the norm for the organization. The time line will depend on many factors including the age of the organization, how deeply ingrained its current procedures are, the degree of threat the organization faces, and the amount of support given by top management. In most large organizations this process can easily span three to five or even ten years.

Roles in the Change Process

Four key roles must be played effectively in implementing change fully and successfully:

- *Sponsors:* These are people who legitimize the change. They have the political and economic resources required to initiate and sustain a change project in an organization.
- *Change agents:* These people are responsible, with the sponsor's approval, for planning and executing the change project. Most of their activities focus on the targets of the change.
- *Targets:* These are the people who must alter the way they work as a result of the change. Targets are extremely important and active players in the implementation process.
- *Advocates:* These are the people who would like to see a change project idea happen but are not in a position to sponsor it. They, in effect, have a project and want to identify potential sponsors and persuade them to initiate it.

From our experience, the move toward enterprise project management normally begins with a group of advocates, a group of dedicated people in the organization who want to improve project management. On rarer occasions, the movement is initiated by an upper management sponsor. If the quest is begun by advocates, it quickly becomes imperative for them to find an upper management sponsor, someone with enough clout to bring about organizational change. The change agents are that small group of the most zealous advocates who become members of the original project office. This group often consists of practicing project managers who want to spread the good word of project management throughout the organization. The targets are usually other project managers, then project team members, and finally all members of the organization.

Organizational Change Versus Reorganization

Planned organizational change should not be confused with reorganization. When most people think of organizational change they think of the recurring "reorg," where departments are shuffled and lines redrawn on the organization chart. Participants in this seemingly annual ritual soon recognize that reorganization itself rarely results in real behavioral change. The usual result is that the same people sit in different seats but produce the same products by the same processes and for the same customers.

Reorganizations are wonderful for creating the illusion of progress while ensuring that nothing fundamentally changes. It is an attempt to get something for nothing—a feeling of the pleasure of progress without having to go through any of the pain associated with real change. Reorganizations are so closely associated with organizational change that those charged with such changes are tempted to reach for the organization chart first thing. In fact, a reorganization is probably the last step in any change process, a step taken to solidify changes already in place.

It is far more effective to eschew attacking the organization chart and instead begin by determining what needs to be done to develop real change in organizations. You can get any change process off to a good start by assembling a group of people who want to change, having them demonstrate how the change is good for the organization, and then working to have this change adopted throughout the organization. We call this the "Quaker" approach to organizational change (Englund and Graham, 2001). The successful movement to develop project offices will eventually lead to radical change in organization practices. As with any radical change process, those in the vanguard—the people implementing the offices—will often feel like missionaries introducing new practices into a hostile environment. Early missionaries found it difficult to get other people to change their ways, and some of them suffered mightily from the wrath of people they were trying to change. Legends tell us how quiet, nonthreatening Quakers found a better way.

Many missionaries used a heavy-handed, command-oriented approach. Proud native peoples rebelled and many missionaries were killed. The Quakers, however, set up farms and produced bountiful harvests. When hungry natives saw evidence of a rich harvest, they came to ask, "How do you produce such bounty?" Educating the indigenous peoples to new agricultural ways was much easier once the benefits were clear.

Business examples present similar stories: Dell Computer versus third-party retailers . . . Southwest Airlines' customer-oriented culture . . . eBay and person-

to-person Web sales. These companies succeeded in demonstrating how a new concept can work.

Given the changes that a project office will cause in an organization, it is essential that the approach to developing the office be aligned with organizational culture. Much of the work of the project office can be seen as missionary work—trying to convince people they will be better off if they change to new ways. The metaphor of the Quakers' good-neighbor approach to organizational change is a valuable reference point to consider. It is one end of a continuum about how to implement a project office, shown in Figure 1.1.

The other end of the continuum is the old hierarchical, command-and-control, "Attila," do-what-I-say approach. Attila the Hun, as a leader, was able to get people to do what he commanded, mainly through his aggressive, ambitious, and arrogant nature. He was a savage conqueror who compelled those not destroyed by combat to serve in his armies. He delighted in war and became a prudent and successful general. He caused vast suffering and died, somewhat questionably, before his invasion plans could be carried out.

Many nineteenth-century industrialists built organizations designed to transmit orders from the top. This worked very well in its day, generating unprecedented prosperity across a broad spectrum of society, but has become less effective as the pace of change has increased in the modern world.

Change agents and their sponsors can determine their place on this continuum, usually by honoring the existing culture. Design a plan that lines up with the current position and then aim to shift direction over time. A hybrid strategy may be very effective—start with a grassroots small success that is comfortable for everyone concerned and then enlist upper management support to mandate its use across the organization. See Figure 1.2 for a more academic treatment of change initiatives.

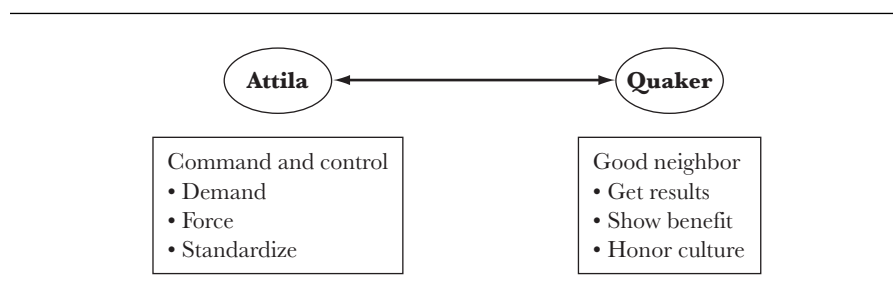**FIGURE 1.1. A CONTINUUM OF CHANGE INITIATIVES TO CHOOSE FROM.**

Attila ←———→ Quaker

Command and control
• Demand
• Force
• Standardize

Good neighbor
• Get results
• Show benefit
• Honor culture

FIGURE 1.2. THEORY E AND THEORY O.

Beer and Nohria (2001) describe two basic types of change initiatives:

Theory E is the creation of economic value, often expressed as increased shareholder value. Steps of the change plan are crafted and monitored from above. Leaders focus on strategies, structures, and systems. Financial targets and incentives dominate the agenda.

Theory O maintains that creating sustainable competitive advantage is the best means of serving shareholders' long-term interests. The emphasis is on building organizational capability—a learning organization—and changing the culture that creates structures and systems.

Theory E approaches are top-down, centrally planned, and highly programmatic while Theory O is bottom-up and involves high levels of participation and emerging cultures.

Fundamental tensions exist between Theories E and O. The challenge is to combine the best of both.

Overall Organization Change Process

Much has been written on the process of organizational change. An important early model of organizational change was given by Kurt Lewin, who formulated a simple three-step process of unfreeze, change, and then refreeze. Lewin points out that the people in an organization may be frozen together with a set of assumptions and procedures that were successful in the past. It is very difficult to change anything that is frozen, so Lewin advises that before a change can take place in any organization, first take steps to "unfreeze" it. Combining this model with our own experience, we formed a three-phase approach:

- Creating conditions for change
- Making change happen
- Making change stick

Creating Conditions for Change

Changing behavior requires that organization members first stop doing what they are doing now. Many members of organizations find this unsettling. It often means they must abandon practices they have spent years developing. People will not

readily do this unless they thoroughly understand why they are being asked to make the change and how they will be better off by making that change. The organizational change agent must be ready to lead the people through these trying times by showing why the changes are absolutely necessary and also showing people how they will be better off by adopting project management practices.

Experience and studies show the two most important factors in successful organizational change are first that it is supported by the very top of the organization and second that the people have a reason why they need to change. People are much more amenable to change when they understand why it is necessary. Thus this phase requires the change agents to create a sense of urgency by citing the clear danger of continuing on the current path, develop a coalition of powerful forces that will help to ensure the necessary support from the top, develop and communicate a vision of how the changed organization will function, and develop a strategy for using a project office to achieve that vision.

Making Change Happen

After creating the proper conditions, the change agents institute necessary changes throughout the entire organization. Here the concentration is on building widespread project management capacity. Much of this change will be accomplished by developing a set of standard project methodologies, training organization members on the use of these methodologies, and mentoring project managers and their sponsors. However, an equally important aspect of the change will be political. Changing practices and procedures will also result in a change in the power structure of the organization, so the change agent must be politically astute and understand the organizational power structure. During the process of change, one can expect organizational efficiency to decrease while people learn the new procedures. People in the old power structure will repeatedly call for a return to the old ways.

Making Change Stick

The final phase in any change process is to refreeze behavior in the new, desired pattern. This is where changing the organization structure will be most effective. By this point the increased organizational capacity has shown its value and enterprise project management should have the support necessary from the very top of the organization. Project management will become the way things are done. Experiences with large organizational change usually show that about a third of the members of the organization will find it almost impossible to make a change and will decide to leave the organization instead. This is not an undertaking for the faint of heart.

Implementing a Project Office as Organizational Change Process

When organizational change to a project-based organization is the final goal, people on the change agent team should think that way from the beginning. When they begin by thinking of the office in narrow terms, such as helping on one project or maybe in one department, they find it difficult to expand operations organization-wide. This is because the project office becomes associated with that one project or with that department, not the organization as a whole. In addition, they may have begun by concentrating on establishing standard procedures and acquired a reputation as another set of staffers getting in people's way. Here as always, first impressions are lasting. For example, the first task of a project office is often instituting standard procedures for project execution. When people in the organization first interact with the office, they may see it as forcing them to follow some restricting methodology. Once this idea gets into people's minds, it is difficult to convince them that project offices are really a way to institute desirable long-term, organization-wide change. These developments make it difficult to expand the operations of a project office. If you want to move the whole organization eventually, start out with that idea in mind.

Begin by seeing the entire movement of a project office as an organizational change process. Since that means the team in charge of implementing the project office must assume the role of change agent, some guidance here seems in order. View the process as a path with distinct steps along the way. Many options exist to continue, modify, or exit the path. We find suggestions by Kotter (1996) quite useful in thinking through the concept of implementing a project office as an organizational change process. The next three sections describe the action areas necessary for a successful change process. These areas are somewhat sequential, and often overlapping.

Phase 1: Creating Conditions for Change

The first step in creating the conditions for change in any organization is to establish a sense of urgency for the change, a central and compelling reason why this change must be done and must be done now. What you are proposing is a new order of things, a new and different set of processes. Learning new processes and doing things differently can pose difficult transition problems for many members of the organization. So before embarking upon the process it is natural for people to ask, "Why do we need to do this now?" With no clear danger, with no sense of urgency that this must be done, there is little chance that members of the

organization will embrace the change. In fact, you can expect them to openly re-sist it. These are busy people with many things to do and little time to spare for participating in a change process unless they feel it is absolutely necessary. People do those things they feel are in their best interest. If you want people to change, first show them that it is in their best interest to do this and do it now. There is a management myth often forwarded that people naturally resist change. This is not really true; people do tend to resist change that they perceive is not in their best interest, but they are equally quick to embrace changes that they perceive as serving their best interest. Establishing a sense of urgency makes it clear that this change is beneficial and well worth supporting.

There are several ways to establish a sense of urgency. The simplest is to use the set of circumstances that led to the idea of establishing a project office in the first place. Often an overriding factor is a project failure, and usually a failure on a grand scale. When this is the case, you can establish a sense of urgency by show-ing that if a project office is not established then there will be more failures like the last one. This information can also be used in the future when people ask you, "Why did we establish this project office in the first place?" Keep reminding peo-ple you are there to prevent large project failures.

Another way to establish a sense of urgency is to compare what you are doing in project management to what the best companies are doing—often called bench-marking. Several tools are available, and using these tools often indicates that your organization is far behind the project management practices of other organiza-tions. This can work well if the standard for judgment is organizations your upper managers admire. When you can show that the better organizations are imple-menting project office groups, you can use that to establish a sense of urgency. For example, the Chevron Corporation did a benchmarking study for project man-agement and found that other organizations were much better than Chevron was at both selecting projects and executing them. They realized that if they did not improve their project selection and execution procedures, their profit levels would be much lower than those of other oil companies. This would negatively affect stock price and thus their ability to raise additional capital. Findings like that cer-tainly establish a sense of urgency. As a result, a project office was established and the Chevron project development and execution process (CPDEP) was developed (Cohen and Kuehn, 1996). If you do not do a formal benchmarking study, then perhaps a word from outside the organization—from customers, suppliers, or stockholders—will work.

Another way to establish a sense of urgency is to establish a set of value propositions for the project office that indicate how the people in the organiza-tion, and the organization as a whole, will receive value from the work you pro-pose. It also helps to paint a picture that describes the future organization that

embraces enterprise project management. As people see the value and understand the enhanced capabilities of the future organization, they will determine that that is the way they want it to be. That desire for the future state can be bolstered by another picture of what could happen or the consequences if enterprise project management is not embraced.

These three methods, discussed in Chapter Two, are designed to establish a sense of urgency, a feeling within people in the organization that they had better do this and do it now. Directors of project offices who did not establish a sense of urgency report that they had difficulty gaining the attention of organization members. Oftentimes when they tried to advise members of what they were doing or trying to accomplish, they found everyone was otherwise engaged in what they felt were more pressing problems. We find most organizations generally biased for the immediate, preferring to solve a pressing problem rather than some vague, longer-term problem. We do not believe we will see change in this orientation in our lifetime, so it will always be necessary to establish a sense of urgency to get people's attention. Awareness of need is the first step in any change. But if you cannot get people's attention, you will not be able to develop that awareness. Thus the urgency for establishing a sense of urgency.

Develop Political Acumen. Change will alter the status quo, so it is a good idea for a change agent to spend time determining the lay of the land. By this we mean to determine such things as where power truly lies in the organization, who will benefit from the change, who will lose by it, and how deeply ingrained the organization's current practices are. Understanding where the power lies in the organization will be important, because the change process will soon need sponsors from upper management ranks and will certainly benefit if those sponsors bring some power and heft with them.

In any organization change, some people feel they will win in the change and be better off, and others feel they will lose and thus be worse off. Expect assistance from the first group and resistance from the second. It may be tempting to try to ignore or go around the second group, but you can expect that the result of such a move will probably just make the resistance stiffer. A better approach is to change resistance to assistance by showing people how they will benefit from the proposed change. History shows repeatedly that your biggest enemy can become your biggest ally when it is clear that support is in those parties' best interest. So it is important to determine what groups may resist your efforts and show them how they will come out ahead if they support you. We offer examples in this book about how enlightened program managers gained this support.

It is also important to try to get some idea of just how set the organization is in its ways. Over time, people in organizations develop processes for getting things done and for solving their problems. These processes are practiced, refined, and

then passed on from generation to generation. Over time these practices begin to embody Truth in the organization and those who do not support them generally leave or are forced out. Like most groups, organizations embrace people who fit their pattern or grow into it and expel those who do not. This recently happened at Ford Motors. The CEO did not behave the "Ford way" and thus was replaced by a member of the Ford family. Those left in the organization are the true believers in the goodness and righteousness of the status quo. The older and the more successful the organization, the more deeply ingrained are its current behavior patterns. In general, older and larger organizations will be much more difficult to change and will take a much longer time to change than will younger and smaller organizations. For example, NCR reported that it took five years to get the "snowball effect" to propel project management into the forefront of its corporate thinking (Kennel, 1996, p. 1), and AT&T reports it is still in an infant stage after five years (Schneidmuller and Balaban, 2000).

Finally, learn from the past or be doomed to repeat it. Find out what happened to any failed change agents who came before you and determine what you can do differently.

Create a Guiding Coalition. Once a sense of urgency is established, develop a group of people across the organization who will help to define the changes needed and ultimately aid the implementation process. These people need position power and must be developed as a team. Develop a formal organization-wide group of people who are interested in a project office and will help guide the implementation process. A necessary part of this guiding coalition is an executive sponsor, a person in upper management of the organization with enough power, heft, and desire to champion change and spearhead the move to an enterprise project management system. Also develop or partner with others who have extensive persuasive and political skills. We present a behavioral process to accomplish this in Chapter Three.

People who study organizational change feel that if some change is important enough to the organization, a group of true believers who want that change will emerge within the organization. The project office movement is no different. Several organizations report that their guiding coalition began as a group of like-minded people interested in improving project management, who were able to band together based on that interest (as with the AT&T group discussed at the beginning of this chapter). Oftentimes these groups are formalized and even have names of their own, such as 3M's PMSIG, mentioned earlier (and discussed in more detail in Chapter Five). Other times a guiding coalition is developed from a collection of individuals who make themselves known to the head of the project office implementation team. Once these groups begin to form, it is important that they represent a broad spectrum of the organization. It may be necessary to

recruit additional individuals so that all sections of the relevant organizational universe are represented.

Another method for creating a guiding coalition is to develop a cross-organization group such as a project management council. This is standard procedure in many organizations and has been reported in several successful implementations. For example, the Project Management Initiative at HP began with the formation of a project management council. The group responsible for implementation of a program management office at NCR reported that they found it useful to address multicultural issues by establishing global and regional project management councils. These councils included top practitioners from all major geographic areas along with representatives from other company organizations such as Human Resources, Sales and Marketing, Education and Organizational Development, Professional Services Management, and Strategic Planning (Kennel, 1996).

A most important factor in assembling this guiding coalition is the recruitment or appointment of an executive sponsor. It is common in any organizational endeavor for people to ask, "Who in top management is back of this?" Without someone at the top backing the endeavor, people will sense the lack of resolve at the top of the organization and will surmise, correctly, that the project office movement is doomed to failure. In fact, this is a self-fulfilling prophecy. If, however, a popular and powerful person at the top of the organization becomes the official executive sponsor of project office development and organization members understand that this is important, they will be much more willing, even eager, to help the process along. For example, implementation of the Project Management Initiative at HP was greatly facilitated by the executive sponsorship of Dean Morton, the chief operating officer. Likewise, the project office group at AT&T arose from the ranks but actively sought and acquired executive sponsorship with the rationale:

> Without an executive sponsor or champion, a council lacks the power or authority to implement its program plan. As a result, some project managers even resisted joining the council since it had no executive backing, viewing it as a waste of their time. The council is able to move quickly to obtain a sponsor. One of the existing council members had a vice president who shared the council's belief in project management and, when asked, willingly accepted the role and responsibilities. This was a significant turning point for the council. With an executive sponsor/champion, the council is able to accelerate progress and become a legitimate entity [Schneidmuller and Balaban, 2000, p. 1].

Develop a Vision and Strategy—Focus Your Thinking. The vision is a picture of the future, the strategy is a plan for developing a project office to get there. Once a guiding coalition is in place, there is now a group that can help to deter-

mine the vision of both the future organization and the strategy of the project office for achieving that vision. To begin, this group should work to refine the vision of a project-based organization, the vision that was developed as a part of creating a sense of urgency. From this vision they can begin to develop a list of what needs to be done to change the current organization to that new, project-based state. In a way, this becomes a to-do list for the project office. This list could include many functions and processes that the project office will eventually develop. Many of the possibilities for project office functioning will be covered in Chapter Four. The important point here is to develop that list and the overall vision with the aid of the guiding coalition. For example, NCR developed a vision "to be recognized as a leader in profitable multinational solution delivery in our core industries of finance, retail, and communications." They realized that to reach this vision several internal goals must be achieved so they developed an internal "end state" vision:

• All bids and proposals should fall within defined risk tolerances.
• Customer solution is our delivery in project form within a 5 percent variance from schedule and budget.
• Project teams are rewarded in terms of project success.
• Projects can be delivered seamlessly across functional areas.
• Project management can be delivered seamlessly across geographical areas.
• Project management in NCR is institutionalized.
• All projects are managed using the same processes.

With the vision and the to-do list in hand, develop a strategy for implementing the vision. Experience indicates that you will not be able to implement the entire list at once. It is just not possible, and the attempt would probably be overwhelming to the organization. It is a much better idea to start small, to choose one or two items from the list that you feel you can do and do well, show you can help people in the organization when you do those things, and then build on those successes. For example, the HP initiative began by organizing a project managers' conference as a way to help assess project management needs across the organization.

Many project management offices begin by building organizational capability, usually by developing standard project management practices for the organization. From this base they can develop more advanced functions such as project manager training and career development as well as training all members of the organization. They can move to the strategic office and develop capabilities for project selection and business skills for project managers, and finally develop venture project management, where the project is truly managed as a business venture. Vision includes change away from narrow measures of success to broader measures of business performance. The vision needs to be integrated with and support the corporate vision and strategy.

Communicate That Change Vision—Tell the Tale. Once the vision and strategy is developed, communicate it to all parts of the organization. Do not leave this task to e-mail. It is important that change agents go to divisions and departments personally and explain how the efforts will help solve local problems. This means that the vision and strategy statements include an assessment of how the efforts of the project office will help the organization increase shareholder value. Describing the lofty goal of increasing shareholder value will be necessary but not sufficient. Many people in organizations have only a vague notion of how their work affects shareholder value. They assume that if they do the work specified by upper managers, that work will be aimed at achieving strategy and increasing shareholder value. To have any real effect throughout the organization, communicate not only the overall vision but also how the implementation of that vision affects the way people do everyday work. Understand, at every level of the organization, the problems people face, the procedures they currently use to solve problems, and the ways in which the project office will help them solve their problems more easily, better, and faster. This is what people want to hear, and we do know that people are far better at hearing what they want to hear than at picking up unwelcome information.

Communicating a change vision can become almost a full-time occupation. To begin the process, build up your own level of enthusiasm about the need for the potential benefits of a project office. Your enthusiasm is important as a first step in generating enthusiasm in others. Enthusiasm is catching, moving from one person to another, but if it does not start with you, then there is little chance that it will generate spontaneously. Lack of enthusiasm is also catching. If you try to convince others of your change vision but you lack enthusiasm, they will sense your lack of resolve, and they will respond with their own lack of resolve. Once your enthusiasm is firmly in place, be ready to go to departmental meetings, coffee talks, or whatever organizational forum is appropriate to communicate the vision, how your efforts will help the organization, and how it will help the particular people you are addressing. Illustrations of successfully communicating visions appear in the case studies of Chapters Five and Seven.

Gear your communications program so that it will be memorable for those people listening. In most organizations, this means creating a "hero story" about how someone used good project management practice and saved the day. As with most organizational stories, this one should have some basis in truth but does not necessarily have to be completely factual. The typical hero story involves an individual up against seemingly insurmountable odds and in an impossible situation who somehow, at the last minute, seizes upon a unique solution and emerges victorious in the face of certain defeat. The typical organizational tale will go something like this:

You know Joe, over in Systems, his projects were always late and cost a bundle, and our customers were howling mad. Management was going to show him the door, but Joe asked for just one more chance. Well, at the same time, our sales force had gone out and sold the moon, promising one customer a new system in six months. The bosses figured there was no way to make that deadline so they gave the project to Joe, figuring they could blame him for the lousy job. Joe didn't stand a chance, but you know what, he used those new project management practices and got the job done right on time. He showed those bosses, didn't he, and got to keep his job to boot. Why, he might even get the boss's job.

Phase 2: Making Change Happen

Generate Short-Term Wins. By now the conditions for change have been set and it is time to contact the target population—it is time to implement the change. An important point here is to start where the pain is, solve some of the more painful organizational problems, and show solutions that demonstrate immediate uses of a project office. As project leader you support the overall vision and no doubt have a plan to get to that vision, and you may have some initial steps in mind that you think are best for the organization. However, you can probably get more immediate notice if you spend initial efforts on problems that seem to be most vexing to organization members at the current time. Perhaps it is a perceived sense of overwork to fill out forms, or sense of lack of procedures that are generating complaints from project teams. Maybe you feel it is more important to help the organization select the right projects, and in the long run this may be true. However, while you spend time implementing project selection procedures, project managers may continue to complain about lack of a shared strategy or project execution procedures. If they perceive no benefit from your project office, you will get the reputation of being just another staff function that adds no value. First impressions are lasting, and once this impression is in place, it is difficult to change. This is because of Graham's Third Law:

<div align="center">

IF YOU'RE NOT ADDING VALUE,
THEY WON'T VALUE WHAT YOU'RE ADDING.

</div>

In addition, there will be someone in the organization who did not want the project office in the first place, and who will trumpet that first impression to prove they were right. Once that process starts, it is difficult to stop. So the recommended strategy is for you to determine where the pain is now, then attack the immediate problems and solve them to show that your operation really does add value to the

organization. Work with a group that is already sold on the need for better project management. That will make it much easier for you to use best practices and show the best results. Then you will be in a much better position to proceed with the longer-term goals.

Develop Broad-Based Action. This is a step for you to diffuse action throughout the entire organization. The things you and your staff and the project office can do independently are not enough to bring about organizational change. The change happens in any organization when there is a critical mass of people who change their behavior to match the new vision. A critical mass is usually considered to be about two-thirds of the people in any given organization. One handy rule of thumb is that about one-third of the people in an organization will be ready and willing, waiting for the change, another third will be on the fence and only change when they experience the benefits of the new process, and the final third will resist the change until they are forced to make the change or they leave the organization. The strategy then is to use that one-third early adopters to demonstrate the benefits of your vision. Then use those successes to convince the fence-sitters to join the crowd.

For people to experience the benefits of the new procedures, the procedures must first be developed and then communicated. Most project office endeavors begin by developing a set of standard methodologies to be used on all future projects. This is usually followed by instituting a training program to train project managers, project team members, and finally all members of the organization in the use and benefits of the project methodologies.

John Kennel from NCR advises:

> Educate the project management community first in order to build immediate credibility. . . . It is absolutely necessary that every associate who functions in the capacity of a project manager receive a complete curriculum of project management training. . . . As you move toward a projectized company, you must also provide training for all members of your corporation. This training begins with project management awareness education leading to very advanced program and international program management techniques and disciplines [1996, p. 6].

For all this training to have any real effect, you need to generate a majority rather quickly. Organizations discover that the benefits of training fade quickly if the techniques that are learned are not used on the job. Therefore, to develop a broad and solid base for future action, dedicate a significant amount of the professional development budget to this endeavor. That powerful project sponsor will certainly be beneficial at this point, as will good political skills for the members of the project office team.

As the project office plan goes into implementation, conduct a start-up process. Get everyone together to share the vision, discuss concerns, refine the plan, and accept assignments. Work on enhancing the emotional intelligence of the group. Also help them embrace the chaos that will ensue through their attempts to manage complexity. These processes are discussed in Chapter Six.

Consolidate Gains and Produce More Change. This is a step for you to increase change in the organization by using the new processes and procedures. Build on small wins. Up to this point you have concentrated on helping the members of the organization change by increasing organizational capabilities. Now it is necessary to begin to eliminate the organizational barriers to change—often classified in terms of structures, skills, systems, and supervisors.

• *Structures.* The organizational structure is often a formidable barrier to change, encouraging silos rather than teamwork. Oftentimes, the formal structure makes it difficult to act across the organization, a condition that is absolutely necessary for good project manager practice. Therefore, this is probably a good time to consider a reorganization that elevates project management to the director level with the appointment of a chief project officer. At a minimum, you need to set conditions for teams, allocating time, space, leaders, and support.

• *Skills.* The training program by itself is not enough. The members of the project office must also develop a robust project management development program and career track. This requires the project office develop such services as mentoring, consulting, certification programs, and conferences. Shift training to leadership and behavioral skills, process skills, and business skills.

• *Systems.* The normal personnel and information systems make it difficult to act across the organization to develop the skills and structures necessary. There is immediate need to add a measure of teamwork in performance reviews, rewards for teamwork as well as individual work, and some proactive accounting that would treat each project as an entity in itself and not as an appendix of the department. Have representatives from the human resources and accounting functions on the guiding coalition.

• *Supervisors.* Massive organizational change will not happen without backing of upper management and department directors. Confront nonsupportive department directors and enlist their support. Get a focus on teamwork from the top down, maintain clarity and shared purpose, and keep energy levels up.

Illuminating the barriers to change will be a daunting task. Developing skills is the easiest part, so this is where most project offices concentrate their efforts. But we know that these newly developed skills soon fade without supporting changes in structures, systems, and supervisors. Changing structure is a political minefield, because it requires a shift in power with the creation of a chief project officer. Without a very strong sponsor and support of the other organization officers, change

will be impossible. Changing systems is also difficult as much has been invested in current systems, and the people who run them probably favor the status quo. Finally, getting the support of department directors has been notoriously difficult over the history of the project management movement. It is here that many change processes fail. Even when procedures have proven to be effective and the necessary skills have been developed, the structures, systems, and supervisors do not yield to change, and the process fails.

For this reason we opened this chapter with the reference to Dante. The sign over the door to Hell warned him to "abandon hope." Yet we believe there is reason instead to "abandon despair"—there is a process and help to address the difficult issues.

Phase 3: Making Change Stick

By this point in the change process, the value of moving to enterprise project management has probably been proven many times over. Project managers have been well trained, mentored, and supported, and good project manager practice has become the norm. It may seem that the new practices have taken root and now define the way things are done in the organization. However, experience indicates that this is not necessarily true. Old habits die hard and the old culture lies just below the surface, constantly ready to reassert itself.

Kotter (1996, pp. 145–147) described an aerospace company where a five-year change process yielded an increase in revenues of 62 percent and an increase in net income of 76 percent. The driver of the change, the division general manager, retired—feeling that the changes had been made, the results impressive, and the work had been done. Very soon, many of the changes that were put in place began to unravel; many small adjustments were made, mostly imperceptible. Within twenty-four months, some practices had regressed to where they had been four years before. Shortly thereafter the first major performance problems began to emerge. Kotter argues that this happens because "some central precepts in the division's culture were incompatible with all the changes that had been made. As long as the division general manager and the transformation program worked day and night to reinforce the new practices, the total weight of these efforts over-whelmed the cultural differences. But when the division general manager left and the transformation program ended, the culture reasserted itself" (p. 146).

The teamwork and cross-organization cooperation necessary for enterprise project management are antithetical to the reality experienced in most organizations. For this reason it is a good bet that the changes necessary to implement enterprise project management will be quite incompatible with the organization's culture. Even if systemic changes are made in the organization, the old ways will still linger for many organizational generations.

Culture change is an extremely long and complicated process. It means changing the way people construct their reality. People must experience the con-

nection between new action and performance improvement on many different occasions and over a sustained period. The changes must be passed on from one generation to another, and this will probably have to happen several times before the organizational culture adjusts to the new reality. Process cannot be said to be complete until the day when there is no one left in the organization who can remember doing things any other way.

By the beginning of the third phase of the change process, a strategic project office should have been established. The people in this office are in a unique position to lead this final phase of the change process. An important aspect will be their ability to follow a project from inception all the way until the end of the product that was produced by the project. In the past, the costs for the project were normally counted in one part of the organization, perhaps R&D, while the benefits of the project's product were counted in a different part of the organization, perhaps in Marketing. Projects were seen as an expense rather than as an investment, so the return on investment in the project was rarely calculated. With a changed accounting system and a strategic project office positioned high enough in the organization, the accounting for the project investment as well as the return on that investment now come together in one place. This information will help develop portfolio management and project selection procedures as well as pave the way for developing a venture project management program, where project managers feel responsibility beyond the completion of the project itself and throughout the life of the project's product.

With this final change, project management will be seen as much more than just a set of techniques to complete projects on time and on budget. Project management practices become totally intertwined with business management practices—project and business management will be seen as the same thing.

Chapters Ten and Eleven contain a discussion of the difficulties of cultural change, suggestions for implementing cultural change, a description of the changes that will be necessary for venture project management to become a reality, and suggestions for implementing those changes.

Summary

This chapter presents many concepts and ideas regarding planned organizational change, the three phases of that change, the role of the change agent during those phases, and the progression of project office development to support the entire change process. The box in Figure 1.3 presents a summary of these ideas in capsule form. This can be used as a one-page guide to the entire organizational change process. Details concerning the steps in this process are given in subsequent chapters.

FIGURE 1.3. CHANGE PROCESS FOR PROJECT-BASED ORGANIZATION.

Change Phase	Change Agent Processes	Project Office Development
Create conditions for change	Establish a sense of urgency.	Benchmarking (continual function). Organizational vision. Value proposition.
	Develop political acumen.	Stakeholder analysis.
	Create a guiding coalition.	PM council with organization-wide representation. Powerful executive sponsor.
	Develop a vision and strategy.	PM office vision, what it will do. Strategy, start small, expand with success.
	Communicate that change vision.	Meet with all organization constituents. Generate their enthusiasm.
Make change happen	Generate short-term wins.	Apply standard process to some immediate problem. Show value. Level 1–PCO.
	Develop broad-based action.	Develop constituency through training, mentoring, consulting, developing a career path. Level 2–PMCOE.
	Consolidate gains and produce more change.	Reorganization to establish a CPO. Level 3–strategic PO. Change reward system; develop portfolio management and venture project management.
Make change stick	Make project management the norm.	Change organization culture by providing leadership, training, means, and the motivation to make the change the new reality.