

Change Management in Project Business

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PROJECT BUSINESS

- ▶ The characteristics of a ‘project’ are: (i) uniqueness; (ii) complexity; and (iii) discontinuity
- ▶ The complexity of the project-based environment requires fast decisions, appropriate allocation of scarce resources, and a clear focus (Elonen & Artto 2003).

SUCCESS

- ▶ depends on a firm's ability to capture new market opportunities (e.g. Porter 1991)
- ▶ the main challenge is, as Davenport and Prusak (1998) observed how best organisations can manage what they know.
- ▶ the uniqueness of the project challenges the participants to learn in every project.

CHANGE MANAGEMENT GENERAL PRINCIPALS

1. At all times involve and agree support from people within system (system = environment, processes, culture, relationships, behaviours, etc., whether personal or organisational).
2. Understand where you/the organisation is at the moment.
3. Understand where you want to be, when, why, and what the measures will be for having got there.
4. Plan development towards above No.3 in appropriate achievable measurable stages.
5. Communicate, involve, enable and facilitate involvement from people, as early and openly and as fully as is possible.

Kotter's (1995) Successful change steps

1. **Increase urgency** - inspire people
2. **Build the guiding team** - the right people with emotional commitment, and the right mix of skills and levels.
3. **Get the vision right** - get the team to establish a simple vision and strategy
4. **Communicate for buy-in** - Involve as many people as possible, communicate the essentials, simply, and to appeal and respond to people's needs.
5. **Empower action** - Remove obstacles, enable constructive feedback and lots of support from leaders - reward and recognise progress and achievements.
6. **Create short-term wins** - Set aims that are easy to achieve
7. **Don't let up** - Foster and encourage determination and persistence - ongoing change - encourage ongoing progress reporting - highlight achieved and future milestones.
8. **Make change stick**

HOW TO MAKE GOOD DECISIONS

- ▶ There are process steps that are associated with good financial and operational outcomes
- ▶ McKinsey made a survey to study how the companies make good decisions.
- ▶ There were in total 2 327 respondents in the survey

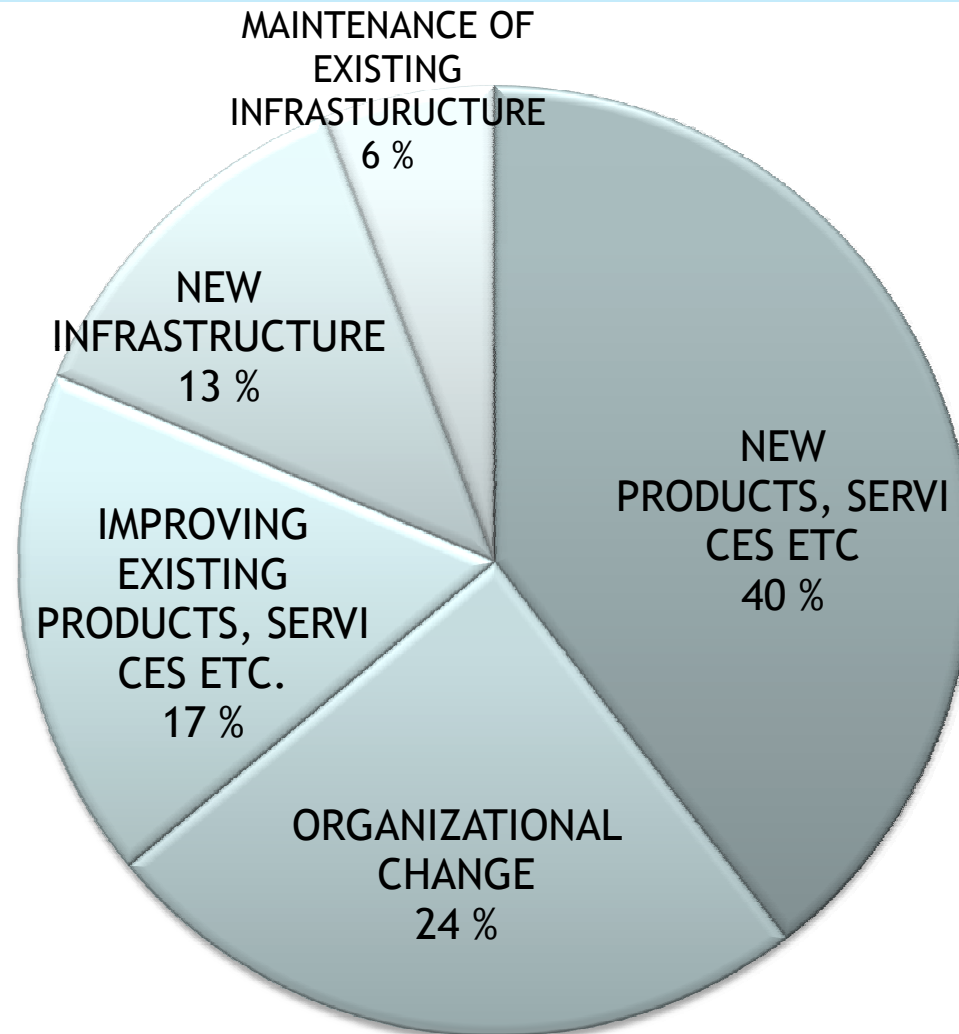
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You need to ensure

- ▶ Right people with right skills are included in the decision making
- ▶ Decision should be made based on transparent criteria and robust fact base
- ▶ The person who will be responsible for implementation a decision is involved in making the decision
- ▶ Some type of consensus-building and alliances can help create good outcomes

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WHAT KIND OF DECISIONS WERE MADE



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WHAT WERE THE GOALS

- ▶ Corporate decisions
 - 78 % Revenue growth
 - 22 % Cost saving
- ▶ Human resource decisions
 - Improved efficiency/productivity 57 %
 - Cost savings 25 %
 - Revenue growth 19 %

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DECISIONS WERE MADE

- ▶ Only 23% driven by an immediate threat
- ▶ Mostly outside an annual decision making process because the decision
 - was prompted by external factors
 - not included in the annual decision making
 - some of the organisations had not annual decision making process
 - very near the annual process and hurry decisions
- ▶ Pay off time within two years

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Which kind of process causes worst financial losses

- ▶ Decision initiated and made by the same person
- ▶ Decisions that are made without any strategic planning process

What should be done

- ▶ Clarify who is responsible of the implementation and the involvement of that person in the decision making process
- ▶ The use of analytical tools resulted decisions that succeeded above expectation very often
 - Detailed financial models
 - Comparing past experiences
 - Risk analysis and comparing that with the past success (some sort of sensitivity analysis)
 - Discussion methods pay a role also

Successful discussion methods

- ▶ Participation based on persons skills/experience
- ▶ Criteria for approval of decision were transparent to everyone involved in discussion
- ▶ Decision was discussed as a part of the firms whole portfolio of decisions

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Conclusions

- ▶ Pay particular interest of the risks, use detailed financial models and sensitivity analysis, and the relationship of those risks to the the risks of other projects in the project portfolio. Learn also from past experiences and projects
- ▶ The persons that are involved in decision making should have enough skills and experiences and transparent criterias should be used.
- ▶ Organisational goals should be prioritised higher than businet unit goals. Discussion between business units should be encouraged.