With the current pace of innovations, the need for a deeper understanding of the process of change has become even more critical.

Streamlining Change at the Speed of Business

Are You Ready to Surf the Next Wave of Innovation?

Terry Doerscher

Within the next six to 10 years, electronic paper will be ubiquitous. Thin and flexible, this very low-cost, high-resolution video paper will use electronic ink and embedded circuitry consisting of little more than today's radio-frequency identification (RFID) tags.

Imagine video preparation instructions attached to the side of packaged meals or video posters and leaflets—even t-shirts that scroll pictures and messages. This is not a wild prediction, but a defined emerging market. Companies like HP, Fujitsu, Xerox, and E-Ink have already invested in decades of development to make e-paper a commercial reality. If you own a Kindle™, then you already have a crude version of what is to come.

Without question, e-paper will fundamentally transform many aspects of business, from document management to training, marketing, and communications, and it is just around the corner. E-paper, however, is only one example of hundreds of similar innovations heading straight for you. The only question is, Are you ready to capitalize on the opportunities these changes represent or will they blindside you?

Like a tsunami traversing a vast expanse of ocean, a tidal wave of continual change rushed toward us steadily for more than three decades. Regardless, many organizations have ignored the warnings and, even today, continue to treat change events as isolated, one-time occurrences. Now, the wave is building to the point where you can no longer disregard it—change is here to stay and there is no avoiding its lasting effects. Even though the landslide of

technology advances that triggered the digital age may now seem distant, the results have engulfed our personal and professional lives already.

Does your organization incorporate change management as an essential aspect of normal operations? Does it have the knowledge, information, tools, and processes in place to manage change expertly? On a more personal level, are you and your associates ready to fulfill your roles as change managers?

Change Management Goes Mainstream

Historically, change was often considered a momentary upheaval that upset the status quo and just as quickly subsided into a new normal. Like an EKG plot, narrow spikes in change activity were usually separated by quiet pauses. As a result, change management was treated as a niche skill set; more often than not, unique or significant change events were managed with the assistance of equally specialized consultants.
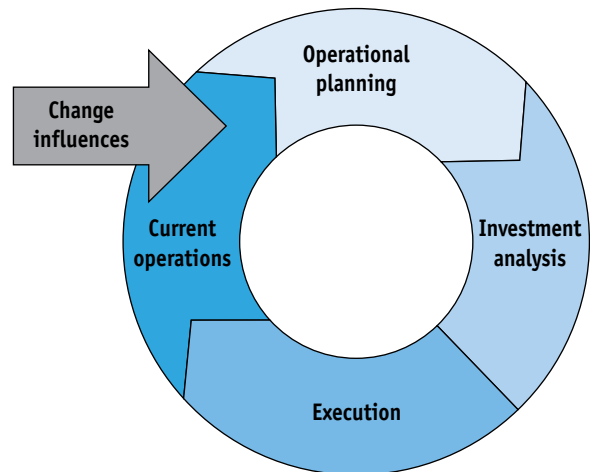
However, the pace of innovation in the 21st century is driving organizations, strategies, and deliverables to evolve constantly. The life expectancy of products and services continues to collapse as today's new advances overtake yesterday's contemporary methods and materials.

When everything around us is in play, everyone becomes a player. As a result, change management responsibilities are now integral to almost every job. For example, take the rise in the number of project managers within most organizations and the increasing number of people who are involved with projects. Projects are, by definition, vehicles for creating change.

Other roles are equally immersed in the process of change. Wherever there is creativity, there is some kind of change going on; new marketing campaigns, productivity or quality initiatives, partnerships and alliances—all signal change.

This serves to illustrate how the process of managing change is very much a team event. To shepherd a change from a mere idea to operational reality requires the involvement of the entire organization. Early on in the book *Taming Change With Portfolio Management*, the authors associate the process of change management with that of managing a professional sports team. There is a schedule of upcoming events, an overarching game strategy, a supporting playbook, owners, coaches, and different positions to fill. The game itself is

Figure 1: FWP Success Model

very dynamic; it requires constant analysis and adjustment on the part of the players to reposition themselves as events unfold.

Of greatest importance to recognize is the competitive nature of this high-stakes game; your ability to outmaneuver and score against your opponent dictates your market position and share. However, to prepare your organization to win, you must first get a grasp of the playing field.

Understanding the Cycle of Change

The first step in managing change, as shown in Figure 1, is to understand, in measurable terms, your current state and the potential change influences that might affect it. Your current environment is assessed and described using different measures at different levels of the organization. At the highest level, indicators such as the balance sheet, market share, cash on hand, and similar enterprise metrics help establish overall positioning and progress relative to missions, goals, and long-term business objectives.

Mid-level assessments look at the current state of individual divisions or departments with measures such as milestone achievement, resource utilization, customer satisfaction, or the performance of specific product lines and services. Working-level assessments address performance by using indicators such as process compliance, project metrics, rework statistics, and operational measures.

Together, these performance indicators establish a comparative backdrop to analyze known and emerging change influences. Whether reacting to

external forces beyond your control or proactively initiating change from within, the winds of change act to alter the future direction of the organization. Ultimately, these influences will drive your organization to take action—either to steer back to a pre-defined course or to set a new one.

Such a response, however, depends upon articulating clearly what needs to change and why, which leads to the next segment of the lifecycle—operational planning. This segment includes setting or adjusting objectives and strategies to accommodate emerging changes, reallocating the capacities of the organization (primarily people and money), and communicating new plans and expectations.

Supporting business functions such as idea management and high-level planning of potential opportunities are also incorporated into the process. Ideas and opportunities, however, are of little value until the organization commits to a specified course of action. Operational planning provides, in the form of investment decisions, the necessary strategic inputs and parameters to make such commitments.

Analyzing and selecting investments is the next phase in the cycle of change. Once individual opportunities are evaluated to establish alignment with organizational goals, expected benefits, estimated costs, and risks based on their own merit, then the collective portfolio of potential opportunities can be compared to determine the best possible mix of investments to pursue—within the constraints of available capacities.

Investment approval and funding lead to the execution phase of the lifecycle. This includes detailed planning, design, development, and delivery. Ultimately, transitioning change results in operational form, whether it represents new products on the market, services offered to customers, or assets incorporated into the organization—all create a new current state that is once again subject to the forces of endless change.

Collectively, this closed loop model represents a number of different, yet interdependent, business functions that all play a part in the cycle of change. Among the most challenging issues facing organizations seeking to improve their change management capabilities is the alignment of semi-autonomous processes, methods, information sources, and organizational silos into a seamless and systematic approach to managing change.

Creating a Cohesive Change Management Model

A change management model extends the basic concept of the change lifecycle into a functional framework that shows the relationships between the primary business functions, systems, and roles that are involved. Like a production line, each individual activity takes inputs from actions that precede it, adds some incremental value, and passes outputs to the next downstream function.

At each point along the way, many people execute a wide array of routine business functions. All of these elements are necessary to achieve a common goal, but most organizations struggle to efficiently link this stream of activities together because most are managed as independent, rather than co-dependent business functions.

Creating a flowchart that models these activities allows different parts of the organization to visualize the cycle of change at a functional level and trace how each area of the business contributes to the process. Such a tool helps foster higher levels of collaboration and teamwork and provides a mechanism for identifying bottlenecks and planning improvements. A sample change management process model is available for download at www.tamingchange.com.

Managing Information to Make Change Decisions

The motive force that drives change events forward is decision making. At each step along the way those involved make an endless number of decisions across every level of the organization. A major decision to launch a new product relies upon thousands of downstream decisions before the intended outcome is produced. Whether setting strategy, adjusting production line settings, or making resource assignments, each decision should ultimately be based on achieving a common objective.

Major decisions are rarely made in a vacuum. The best decisions draw from the combined wisdom of multiple individuals. To the extent that complex decisions can be made using a common source of reliable supporting information, those involved can do a better job of reaching a consensus.

What information is needed to make change decisions? The need to assess current conditions using multiple parameters at different levels was mentioned earlier, but the cycle of change is ultimately a conversion process. It transforms demand into benefit, consuming capacity and

creating costs along the way. All of these parameters can be distilled into four primary types of decision support information as follows:

- The deliverables you are creating.
- The work you do to create them.
- The people and skills needed.
- Money, in terms of cost and benefit.

Each type of information represents not a single set of values but a hierarchy of information.

You are probably familiar with some of these information structures. For example, an organization chart depicts how resources are structured, from summary-level department groupings, down to individual people. Similarly, an accounting system provides a structure to maintain information about money, from high-level balance sheets to departmental budgets. Project tasks are often arranged by phases, activities, and underlying tasks into what is referred to as a work breakdown structure. At a high level, you may align these projects to strategies, goals, and objectives.

Perhaps less commonly revealed is a defined structure that relates how various product lines are created to address different markets or how individual products or components are grouped and aligned, but something as simple as a product catalog can serve as a structured list of deliverables.

From a change management perspective, it is important to recognize that each of these information structures reflects a set of defined relationships. Internal relationships dictate how information flows through different levels of the structure. From the smallest details to its most summarized form, these relationships allow us to select the level of information that is most appropriate for the decision we are making. In addition to these internal relationships, there are also relationships that exist *between* these structures. In its simplest form: people consume money to perform work that creates deliverables. These relationships are already present to some extent in most enterprises. Money is managed based on how it is apportioned to different parts of the organization. Work is often categorized based on what kind of deliverable it produces or the affected product.

To make good change management decisions, the appropriate level of information from each of these information structures needs to be accessed and arranged for comparison and analysis. For example, consider the different types of information that are required to determine how much money is needed to acquire the people necessary to do the work to create a new product. This is where the discipline of portfolio management comes into play.

Using Portfolios to Manage the Cycle of Change

A portfolio is a collection of individual subjects that are grouped together so they can be collectively managed toward some common objective. Portfolio management is the practice of using portfolios in a structured way to fulfill a specific need, and it is being adopted in many different areas of the business.
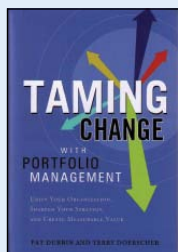
With portfolios offering a method to create multiple views of different types of information, they are ideal decision support tools. Modern portfolio management systems lend themselves well to structuring and presenting the types of information necessary to make good change management decisions. You could, for example, create a product portfolio that allows you to analyze cost versus revenue, relative to each business unit or market area. You can rearrange that same information to create a work portfolio, showing all of the planned changes for a given product line or market.

This ability to dynamically access and display information means individual users involved throughout the lifecycle of change can all draw upon the same information sources and structures by using a common portfolio user interface to view the information in a manner that is most appropriate for their specific needs at any given time.

Streamlining Change Management

In addition to simply structuring, accessing, and presenting decision support information, modern portfolio management systems also allow you to take action though process automation (workflow capabilities). Some systems allow your entire organization to manage corporate performance, collect and filter new ideas and opportunities, define and manage strategies, compare investments, manage work and resources, control finances, and manage products and services as a complete, end-to-end enterprise-class solution. Having the ability to control the complete cycle of change within a single common system helps to reduce or eliminate the number of technology interfaces and process disconnects that hinder the smooth flow of information from one group or software platform to the next.

Taming Change With Portfolio Management

Authors: Pat Durbin and Terry Doerscher

Abstract: This book is a powerful presentation of the cutting-edge discipline of portfolio management applied to organization-wide change events. The most effective leaders approach change as a powerful force to anticipate and leverage. They tame change by managing it in a comprehensive and systematic way. Portfolio management offers proven tools and techniques to unify how an organization harnesses the power of change to create measurable value. This book begins with an introduction to the relentless change that impacts our personal and professional lives. It then provides practical steps to effectively use your organization's capacities to meet the dynamic demands that it faces. Finally, it provides the tools and advice you need to confidently implement portfolio management in your organization.

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Embracing Change and Harnessing the Benefits It Brings

In today's world of constant advances, dealing with change is a part of everyday operations. It's not a question of when, or if, change will affect your business operations, it is a question of how you will manage it as it continues to sweep through your organization. With the proper procedures and tools in place, your organization can embrace change and harness the benefits it brings. From incorporating proven change management techniques into your everyday operations and culture, to implementing the tools and processes to help streamline operations, preparing your organization today for the changes of tomorrow is a key factor to continuous growth and success.

Editor's Note: This article is based on the book *Taming Change With Portfolio Management* by Pat Durbin and Terry Doerscher, Greenleaf Book Group, 2010.

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With more than 25 years of experience as a practitioner and consultant, Terry Doerscher is a frequently cited expert on strategic planning, the project management office (PMO), and various applications of portfolio management. Doerscher is the co-author of Taming Change With Portfolio Management *and is a contributing author to several other books. His contemporary work is recognized as a catalyst for redefining the role of the modern corporate PMO. He is a Certified Process Design Engineer (CPDE) and is a founding director of the Enterprise Management Association—International. Contact him at* **tdoerscher@planview.com.**