

# Applying Change Management Best Practices During Organizational Design Efforts

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## Executive Summary

Beginning in August, 2009, Portland General Electric's Organizational Learning & Development department, Human Resources and Hitachi Consulting partnered with the CIO and his newly appointed Re-Structure Design Team to help reorganize the IT department. PGE is a mid-size utility providing electricity to about 40% of the state's population. Unlike past refinements to the organization, it was recognized that this effort needed to be more holistic in scale and approach in order to fully address the challenges facing the department and to remedy many of the pain points from prior changes in the organization's design.

Our approach for guiding the reorganization of the IT Department was to provide greater rigor in leadership development and organizational design and incorporate best practices in managing the organizational changes.

While the work is still in the final stages of implementation, we have already achieved a number of significant successes. These include creating a more effective new leadership team, re-establishing credibility with internal clients and progress toward regaining trust within the IT staff.

In this paper, we'll discuss our approach in integrating Organizational Change Management best practices in guiding the work and how we managed resistance across the organization.

## Problem Statement

The timing for performing an organizational realignment within the IT organization was right for a number of reasons:

- A new CEO had recently been appointed who was looking to IT to set an example for becoming a more responsive, nimble department;
- Emerging technologies in the industry were placing additional burdens on an already overstretched department;
- Increased pressure to achieve better operational efficiencies; and
- The department was already in the process of taking on larger and more complex enterprise-wide IT projects.

In addition, IT's newly developed 2020 Vision program mapped out a long-term plan to replace most of IT's existing major applications and offered the opportunity to re-align the IT organization with the mission of the business.

During our initial assessment, the following themes were identified:

- Poor management team dynamics
- Key functions critical to IT's delivery reflected inconsistent quality control and an ineffective prioritization process
- Internal clients had lost faith in IT's capabilities
- IT had moved toward becoming an order-taking department and was missing opportunities to serve internal clients as a strategic partner
- Morale across the department was eroding and trust in leadership was waning
- The IT staff consisted predominantly of long-term employees, many of whom had not kept pace with new technologies and changing organizational needs

## How This Transformation Effort Needed to be Different

Early in the restructure process, we worked closely with the CIO, the Design Team and the IT Steering Committee, which is composed of the CEO and senior leaders within the organization whose purpose is to provide strategic direction, build effective partnering relationships and plan and prioritize major projects.

Working with the IT Steering Committee, we developed and validated a set of desired outcomes and criteria for success. We determined that in order to be successful, it was essential that the entire PGE management team, key internal stakeholders and the IT staff understood the outcomes to which we were driving and how we would hold ourselves accountable.

In previous organizational refinement efforts, organizational design changes had primarily been driven by personnel requirements (span of control, personality conflicts, or for a variety of other needs). What resulted over time was an organization that reflected this accumulation of organizational apathy so that the alignment of teams and functions no longer made sense in the big picture.

Additionally, with the opportunity to develop a strong and cohesive leadership team and to rebuild trust amongst the staff, our efforts leveraged Organizational Change Management best practices from Day One.

## Our Approach

We took a methodical approach to managing the organizational realignment process (see Fig. 1). This approach was drafted to meet the organizational timeline to which we were driving, as well as to create opportunities for managers and supervisors to remain involved and step into new leadership opportunities.



Figure 1 – Organizational Re-Alignment Checklist

Throughout the process, our team integrated time-proven Organizational Change Management best practices (see Fig. 2) which fell into the four disciplines outlined below. We'll discuss how we applied these best practices and our lessons learned through the remainder of this paper.



**Figure 2 – Hitachi Consulting’s Organizational Change Management Best Practices®**

## Organizational Landscape Discipline

### ***Best Practice #1: Align Organizational Change Management approach to business strategy and vision***

In 2009 PGE’s new CEO introduced a new Strategic Direction for the company. To reinforce this connection, we deliberately positioned our objectives and success criteria within the over-arching organizational vision. Because the Strategic Direction included a long-term vision for IT capabilities at PGE, meeting this best practice at the outset was not difficult. Materials were developed and presented to the organization’s executive team, the IT Steering Committee, the broader PGE leadership team and the individual contributors within IT. This direct linkage to the corporate strategy was reiterated through the life of the project.

### ***Best Practice #2: Design enabling organizational structures and processes***

The majority of the functional and organizational design efforts fell squarely in this arena.

- ***Initial Design:*** Our approach involved a team of cross-functional managers working out of their typical functional areas. This tactic ensured that as we

generated new organizational models we had sufficient new ideas as well as a team looking for how it would fit together functionally.

- **Preliminary Validation:** The broader supervisor and manager teams were engaged early in the process to refine and validate initial functional designs and high-level processes. As expected, there were elements of resistance from these teams as well as healthy skepticism. By applying resistance mitigation techniques such as engagement and listening, we were able to increase involvement and refine the solution to take into account feedback from the team.
- **Second Level Documentation:** We leveraged team charters to articulate use cases, high level process flows, key roles, team interdependencies, and deliverables across each of the teams to demonstrate how the new structures were positioned to enable the organization to succeed.
- **Detailed Process Definition:** Four functional Transition Teams were created to build on preliminary high-level use cases and to determine detailed processes, roles & responsibilities, interdependencies and deliverables.

## Leadership and Stakeholder Commitment Discipline

### ***Best Practice #3: Strategically engage leadership throughout the project***

Following our change management strategy, we proactively solicited and interviewed over 200 PGE stakeholders, which included officers, IT employees, IT managers and supervisors and key client managers in order to build buy-in and credibility. The alarming data from these interviews helped create a sense of urgency and helped orient the IT management team to create a business case for change. Throughout the initial design sessions and development of functional scenarios to support the future organization, each manager was actively engaged in the creation of options which led to ownership of the solution.

Over time, the management team was integrated into the Design Team which was accountable for the detailed organizational design of teams and responsibilities. To support leadership as a management team and to combat protectionist attitudes, managers were named to the leadership team but functional titles remained undetermined until the hiring process was complete.

### ***Best Practice #4: Maximize key stakeholders' involvement and support***

In addition to the interviews with 200 stakeholders mentioned above, a cross-functional Design Team consisting of IT management, Human Resources, Organizational Development and an outside Organizational Design SME was assembled. This team was responsible for generating options, validating direction with internal stakeholders on a frequent basis, and vetting initial design with the supervisors and staff at large.

Line-staff were engaged at the onset of this initiative through employee focus groups and throughout the process. One-on-one interviews with all managers and supervisors were initiated at the beginning of this effort as well and continued as needed through the lifecycle of this project in an effort to engage individual contributors regularly.

Finally, key leaders throughout the organization were actively engaged during inflection points of the project to solicit input and approval and to create buy-in across the company. To ensure a successful partnering relationship, Officers and key client managers were directly involved with both the interviewing and selection of the new management team.

## Communications Discipline

### ***Best Practice #5: Articulate urgency in a compelling and unique way***

Having performed an initial organizational assessment to define current pain points and to lay out the business case for action, we shared the information broadly through implementation of a SharePoint site available to all IT employees as well as the 200 stakeholders we interviewed. The data clearly showed that the Department had lost the faith of its clients and the trust of its employees which validated the need for change and galvanized internal support for the reorganization.

From this data, we developed our business case for change, which was tailored to specific target audiences and served as the foundation for communications within the Department as well as for those internal stakeholders who would be impacted by organizational changes.

Initial timelines established for this effort did drive a sense of urgency, but they were extremely aggressive and would not have been possible to meet without compromising the quality of the end solution. The Design Team felt it important to instead take a methodical and inclusive approach to achieve understanding and buy-in at all levels and to ensure that the solution met the needs of the customers and the department. To maintain a sense of urgency, we celebrated decisions as they were made and provided communication in context of the longer-term journey this effort required.

We also successfully implemented a “Bright Ideas” campaign among IT employees to generate solutions to long-standing problems within IT and support out-of-box thinking.

### ***Best Practice #6: Communicate, communicate, and communicate***

From the initiation of this effort, we worked with the CIO to develop guiding principles to shape our overall approach. One principle related to this best practice was an unabashed commitment to transparency and communication throughout process.

The frequency of communication required to meet this principle and the information shared was something new for this department. Our approach included frequent updates to the entire IT staff from the CIO including progress reports, detailed information about selection processes, and announcements of managers and supervisors selected to fill new roles in the organization. At times, we didn't have much new to report but felt that the frequency of the communication was the most important element in assuring employees that the work was still going forward.

Additionally, we opened our reorganization SharePoint site to all IT and the stakeholders who participated in interviews, so they could track our progress at any point in time.

To ensure there was understanding, we encouraged focused pass-up & pass down communication across the organization.

Feedback about the value of this frequent and transparent approach was consistently positive across the organization and helped build a high level of trust and support for the process, as well as hope that the results would lead to meaningful improvements. .

## Learning Discipline

### ***Best Practice #7: Equip impacted groups with right skills and tools***

We began this process by building skills and capabilities in the management team that was tasked with the design of the new organization. We shared with them common organizational design methodologies and principles. We also provided Change

Leadership training to prepare the management team for the difficult path ahead in leading their respective teams through the uncertainty and fear which is expected during an organizational alignment effort.

To further enable management's success in leading this organizational change, we developed Manager Readiness Toolkits which covered the overall process, their role, what to expect from their teams, and how to manage resistance within their teams.

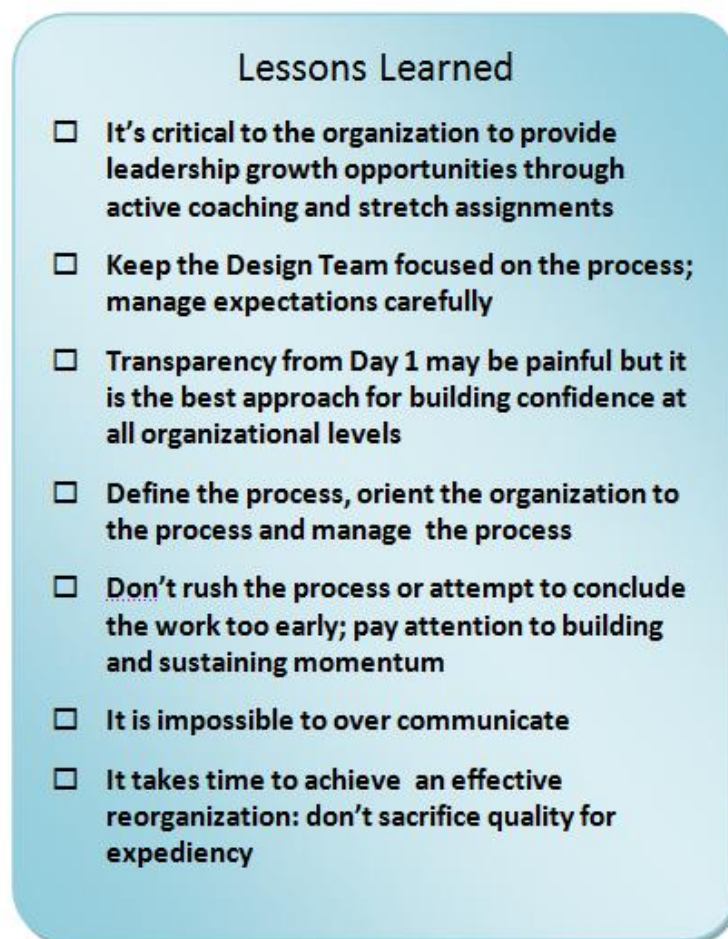
For the IT staff, we provided change readiness training and activities to all levels of the organization.

**Best Practice #8: Begin the education process on Day 1**

We purposefully involved the supervisors early in validation of high level workflows and re-design of work processes in order to develop awareness and buy in and to provide a forum for feedback around cross-team impacts of the design recommendations. Materials used to develop initial recommendations have also served as the foundation for building detailed process designs, team charters, interdependencies, documentation, job descriptions and, ultimately, process training.

## Lessons Learned

Through the course of this effort, our team was diligent in adhering to our guiding principles and best practices. Below we have summarized some of the lessons we've learned through this process.



**Lessons Learned**

- It's critical to the organization to provide leadership growth opportunities through active coaching and stretch assignments**
- Keep the Design Team focused on the process; manage expectations carefully**
- Transparency from Day 1 may be painful but it is the best approach for building confidence at all organizational levels**
- Define the process, orient the organization to the process and manage the process**
- Don't rush the process or attempt to conclude the work too early; pay attention to building and sustaining momentum**
- It is impossible to over communicate**
- It takes time to achieve an effective reorganization: don't sacrifice quality for expediency**

Figure 3 – Lessons Learned

## Where We Are Today

After the initial organizational design was defined, the team transitioned to a focus on detailed process design, leveraging Six Sigma's DMAIC (Define, Measure, Analyze, Improve & Control) problem-solving methodology. Transition Teams were established for four of the functional areas most impacted by the change initiative. Each team engaged managers and supervisors to further define new work processes and team interdependencies. These teams are currently in the final stages of completing their work.

## Conclusion

The new organizational design and the re-alignment of the management team are nearly complete and the work has shifted towards on-boarding activities for new leaders and implementation of process improvements identified by the Transition Teams. Resistance to change was minimal. That which did occur was effectively addressed by carefully managing expectations throughout the process, acknowledging staff frustration, providing education workshops on Change & Transition and re-orienting staff to the business case for change. Periodic change initiative assessments are also providing up-to-date data on both staff and leadership progress.

## About Hitachi Consulting Corporation

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, with operations in the United States, Europe and Asia, Hitachi Consulting is a recognized leader in delivering proven business and IT strategies and solutions to Global 2000 companies across many industries. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions. From business strategy development through application deployment, our consultants are committed to helping clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting's client base includes 25 percent of the Global 100 as well as many leading mid-market companies. We offer a client-focused, collaborative approach and transfer knowledge throughout each engagement.

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