



About Energi Talent Resourcing

Energi Talent Resourcing are a specialist technical recruitment partner to the whole of the Oil & Gas and Power sector; finding and placing market-leading talent.

CHANGE MANAGEMENT IN PROJECTS

This guide has been prepared for companies to help highlight the importance of world class change management on Projects. Change is inevitable with the current market volatility in the energy sector as companies and projects will have to absorb market uncertainties without disrupting operations. It is our belief that the ability for organizations to develop a change mechanism to cope with this volatility will be of high priority going into 2015.

ABSTRACT

Understanding the need for change and the ability to implement change successfully at whatever level in a project is a crucial point in understanding change management for managers. Change management is seen as an integral process which is related to all external and internal factors of a project; it influences all spheres of a project from possible change forecast; to identification of changes that have already occurred; to planning preventive impacts; to careful coordination of changes across all spheres and aspects of the entire project. Experts view change management as being closely connected with all project processes and functions, which are exposed to changes: scope, time, cost, quality, risk, contract/procurement, human resources, communications and other key integrative processes. Change usually involves three aspects; people, processes and culture. The importance of a manager understanding the different aspects involved in change management and their intricate relationship to each other cannot be over stated. As a project manager charged with the execution of any project, having to handle or implement any form of change; whether operational, strategic or transformational change, is inevitable. A lack of understanding in change management processes will not only lead to failure of the change management programme, but can also build up resistance on the part of the staff and project members; this could in turn lead to distrust of change agents and their agenda and could generally disrupt or slow down the work progress. Managing change is difficult and the sad truth is that most 'transformational' change initiatives fail. The reasons for this poor performance are that organisational resistance is grossly underestimated; change agents believe that change can be managed and these assumptions lead to faulty interventions. This paper aims at highlighting the importance of understanding change management to project/construction/HR/general managers by exploring the key areas of change

management such as; why the need for change, types of change, approaches to change, degree or level of change, the environment or culture where change is to be effected etc.

WHY THE NEED FOR CHANGE?

Change is a constant part of our daily lives and as such easily extends to our professional life. A manager has to deal with change at some point. Change could stem from the need to improve a process, function, attitude or a total revamp of an organization. Ultimately change is undertaken to attain or align a project towards a more favourable outcome. Below are several aspects of a project that might be susceptible to change;

- A. Distant Project Environment: This will include economic, political, social, financial, ecological, technological, organizational and legal aspects of any project.
- B. Close Environment: this are usually changes that are a direct result of changes in the external environment, they include; changes in internal production relations such as stockholders/stakeholders relations, changing the marketing of products and services in the interest of the organization, changing project form and structure, changing organizational attitudes and culture, changing methods of communication both internally and with external partners or liaisons, changing production technologies and system, and changes in overall internal structure.
- C. Project changes: here changes are as a direct result of external factors with internal reasons combined with the overall process of project implementation, its progress and achieved results. They include changes in;
 - i. Scope – this includes criteria for estimation of project success, changing the purposes and configuration of project implementation etc.
 - ii. Cost – this changes budget estimates, spending plan, methods of financing and other cost characteristics associated with the project.
 - iii. Risk – this will involve re-examining risk containment methods and re-evaluating the protection plan and also changing risk factors by eliminating them totally or reducing the probability of occurrence during implementation.
 - iv. Human Resources – here could see a change to the hierarchical structure, methods of motivation, effective distribution of roles and responsibilities

- v. Procurement/Contract – changing procurement requirements to a more favourable one, changing the terms and contexts of proposed contracts to one that will be more beneficial to the projects outcome.
- vi. Time – this will involve change to dates regarding project scheduling, duration of project activities, start up and finish times and key dates in the monitoring process.
- vii. Quality – this could be by changing the specification of project requirements, either in parts or as a whole. Changes in the process of implementation can also affect quality.

D. Key process change: this change stems from a result of changes in previously mentioned examples, and is needed in their implementation. They include;

- i. Altering method of project planning; here the planning stage is restructured by changing the methods of planning, estimation of possible future changes, frequency to altering the original plan etc.
- ii. Altering method of project plan execution; this is facilitated by changes in distant project environment and closed environment, and will affect the methods and tools used for the execution of the project.
- iii. Altering system of documentation; changes in environment can affect the ways and methods of data collection and storage. As such, this is an aspect subject to change.
- iv. Changing the overall change control system; this involves altering and expanding input data connected with forecast and actual changes of A and B type requirements to progress reports and change requests; changing methods and techniques of control in order to take preventive measures to keep project stable; and also plan correction and actualization.

As can be seen, the areas for possible change in a project are varied and wide, providing an almost sure guarantee that change within a project context is inevitable.

TYPES OF CHANGE

Having understood the need for change and narrowed down on what needs changing, a project manager also has to understand the nature and context of the change he wishes to effect. This will aid in his planning and subsequent implementation of the change initiative. Not knowing the type of change alters the dynamics in carrying out the change process. Three kinds of change have been identified;

A. Developmental change:

This form of change improves or enhances on an already existing aspect of an organization, and usually aims at improving functionality by developing on a skill or process. It is usually seen as minor improvements and adjustments that do not change the systems core and occur as the system naturally grows and develops. It is classified as first order change. It may either be planned or emergent.

- i. In a planned change, change is the product of thoughtful thinking and the carrying out of a series of actions in furtherance of its intended aim. The four phases of planned change are; the exploration phase, planning phase, action phase and integration phase.
- ii. Emergent change is one where change occurs in an unplanned manner, it could be as a result of external factors which could include economical, technological etc. or could also be as a result of different decisions based on the unconscious perceptions of the manager on his environment, and his assumptions on the future of the organization.

B. Transitional change: this aims to attain a better or more desired state than the presently existing one. It is planned and episodic in nature (episodic is referred to as the replacement of a program or strategy with another), and is seen as a second order form of change.

C. Transformational change: this is also a second order form of change and is known to be radical in its overall objectives. It usually signifies a major shift from the norm. This form of second order change is a multi-dimensional, multilevel, qualitative, discontinuous, radical organizational change involving a paradigmatic shift, leading to a new identity for the considered organization.

Emergent forms of change is the traditionally favoured approach in managing market challenges and uncertainties and is most effective when combined with a transitional change method during implementation.

IMPLEMENTING CHANGE

In carrying out a change initiative, the project manager has to understand the culture of the organization; culture here reflects the ways and processes used to accomplish tasks and objectives. It shows the formal and informal processes, attitudes and general manner work is carried out in a particular organization or project structure. An understanding of culture in relation to implementing change is an absolute must, as it lays out the framework for any manager to shape or build his model

for change. In restructuring the organisation and workforce it is clearly necessary to pay close attention to the organisational and attitudinal issues--the soft aspects of the change. These are commonly the least understood areas of strategic change and those on which such change can most easily fail. The culture embedded in a project structure cannot be overlooked by the manager in any change making process. Having understood the culture operating in the project or organization where change is to be effected, the next step is for the project manager to choose a strategy or approach, compatible with his chosen model, for effecting change. Experts have outlined four broad strategies to effecting change as;

- A. Participative strategies: here full involvement and commitment is expected from all parties involved, the process will be driven not by senior management but by individuals or small groups within the project structure. The advantage to this method is that the idea of change will be more acceptable, as members were fully involved in the process and will therefore have a sense of ownership and involvement. The drawbacks will include length of time taken to achieve change, as a lot of views and opinions need to be constantly reconciled. Also seen as a negative will be the cost of implementing this approach.
- B. Negotiating strategy: this method will showcase the negotiating ability of the manager as a lot of concessions will be made in the process. It is a give and take process and will be subjected to a lot of adjustments before change is implemented. The advantage also mirrors a healthy sense of participation to the members involved but the disadvantage will be the unpredictable outcome and length of time taken to achieve change.
- C. Educative strategies: this will involve changing people's perspective towards the proposed change by using a mix of educative activities including; training, persuasion and education. It is an intensive strategy that requires time and resources, especially when the values and beliefs of people have to be changed to accommodate this approach.
- D. Directive strategies: this highlights the project managers' ability to implement change using his authority with minimal involvement from other members. The negative side to this will be the sense of alienation felt by members and the high probability that any implemented change will be met with resentment due to the lack of involvement of people. The favourable aspect of this method is the speed with which change is carried out, as the decisions rest solely on the manager.
- E. Expert strategies: here the change process is seen as a problem process where the involvement of a specialist is needed. It is an approach which is mainly applied to technical

problems and requires little involvement from those affected by change. The advantage is that change can be implemented quickly but the drawback is that the opinions and views of those affected by change might differ from those of the experts involved.

RESPONSES TO CHANGE

Ideally, response to change can be used to measure the effect or outcome of the process. This doesn't necessarily mean that an unfavourable response translates to a failed attempt at change or vice versa. However, as a manager, the way people respond to the results of your change is equally important, as an unfavourable response will definitely have some form of backlash. There is an important need to understand and manage people's expectation and responses as well. The two basic outlines on responses to change are:

- i. individuals feelings for change
- ii. individual responses to change

Figure 1:

INDIVIDUALS FEELINGS FOR CHANGE

Successful	Change eager	Change comfortable
	Change fear	Change fatigue
Unsuccessful	Few	Many

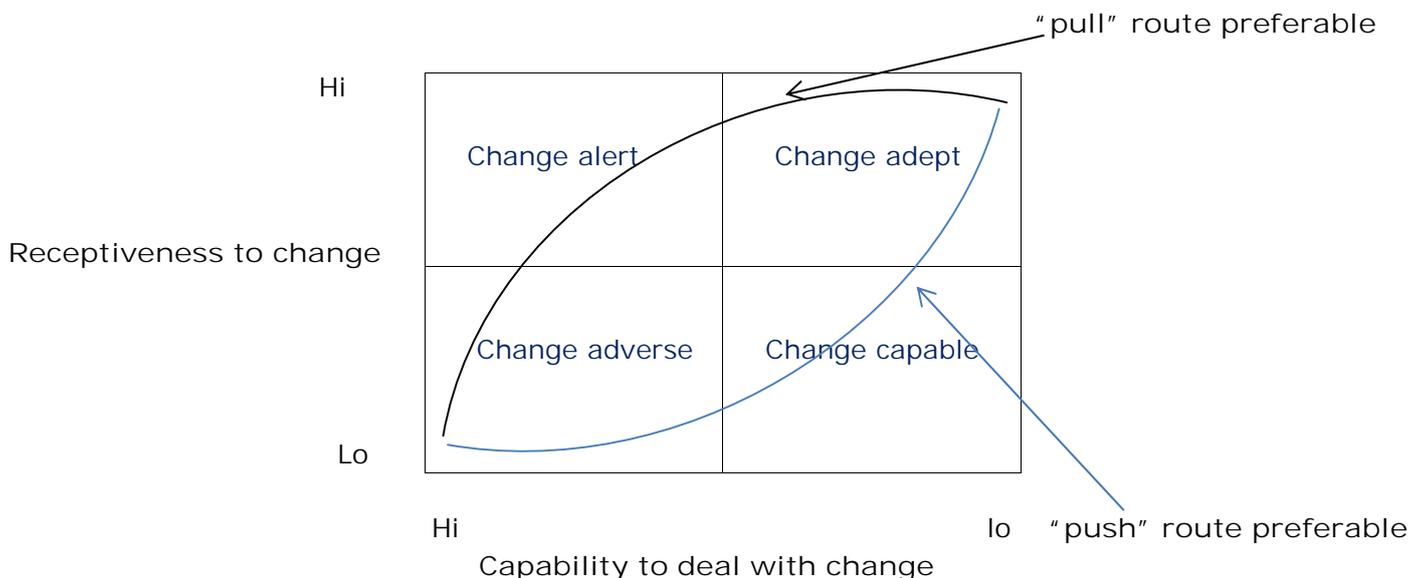
No changes undergone

Perceived results
Of attempted changes

Source: *(McElroy, 1996): The feelings for change within individuals in an organisation will depend on the perceived results of attempted changes and the number of changes undergone.

Figure 2:

INDIVIDUALS RESPONSE TO CHANGE



Source; *(McElroy, 1996): The ideal situation is one in which all individuals within the organisation show high receptiveness to the change required. This effectively means the organisation is being pulled through the change process as opposed to being pushed.

CASE-IN-POINT

This is a firsthand account from a project team member, where he tells his experience of a poorly transitioned change system. The scenario occurred during downsizing on a contract project before commissioning.

“Looking back, I realised that the management I was under had faltered a couple of times in implementing change to the project successfully. The reason being that they weren’t able to communicate this change to the people it would affect and also because of the poor handling of project members expectations concerning the change. The change was to; (i) see the gradual reduction of the workforce (ii) and deploy the most competent of the remaining workers from the existing site to a new one, where most of the construction work was to be carried out. The management in carrying out the change placed 30% of the workers across all departments on redundancy and also simultaneously started the transfer of the remaining workers to the new site. Redundancy packages were also being prepared by the personnel department to be later sent to the accounts department for payments. Management at this point, started informing the labour contractors who supplied manpower about the termination of some of the workers under them. Two days after management implemented the redundancy exercise, the workforce went on strike, operations were grounded and the management received a query from the client company. Meetings with workers representatives revealed the dissatisfaction of the workers with the management, for the reason of not giving advance notice to

workers so that negotiations could be held over severance packages and any such benefits that could be claimed by the workers before termination. Also, the labour contractors faulted the management on the methods of deciding who was to be transferred to the new site, arguing that there were other criteria's to consider apart from competency. The situation degenerated for weeks until new terms could be agreed on. In conclusion and also guided by concepts learnt from later experience, I fault the company's management of change on two fronts; communication and strategy. If the management had, before implementation, communicated their intentions properly to the concerned parties and also involved them in the change process, their acceptance of it would have more been favourable. Also, their strategy of implementing it was too brash and neglectful of those it would affect. A more involved effort combined with a well thought through redundancy/transfer process would have given better results. Effective change comes not only from the process of carrying it out but also from the way the results of change is handled".

CONCLUSION

Given the current market conditions in the Oil & Gas sector, companies are gradually effecting changes on timelines, budget, staffing, organizational structure etc, to mitigate the effects of this decline. Achieving operational efficiency in times of change will require an organizations management to have in-depth situational knowledge combined with a careful consideration of all strategies, models and reasons towards change and the selection of the best option for the given situation, setting a positive precedent to a smooth and transitive change. An otherwise attempt will most likely result in a failed change management process with fall-outs including a disoriented workforce, missed deadlines, poor project execution and in extreme situations; disintegration of the project.

Energi Talent Resourcing provides tailored recruitment support solutions to the Oil & Gas and Power sector.
Reach us for a better discussion on how the specialists we represent can create value on your projects.

* McElroy, W. (1996) Implementing strategic change through projects... International Journal of Project Management, 14(6), pp. 325-326