

Organizational Change Management

(Managing the People Side of Change)



California
DEPARTMENT OF TECHNOLOGY

- Chris Cruz, Deputy Director, CIO
Department of Health Care Services
(DHCS)
- Davood Ghods, Chief, Office of Technology
Services (OTech)
- February 19th & 20th



Chris Cruz

- Chris Cruz, Deputy Director/CIO, DHCS
- Leads a team of more than 550 staff across 7 DHCS branches
- Manages an annual IT budget of \$150M and project portfolio of \$1B
- Responsible for successfully delivering some of the largest IT projects in the nation





Davood Ghods

- Chief, Office of Technology Services (OTech)
- Appointed in January 2014 by Governor Brown
- As Chief, he oversees approximately 700 staff
- More than 28 years of IT service experience
- Experienced in government efficiency
- Master certified in IT Infrastructure Library (ITIL)





Agenda

- Welcome and Introductions
- Agenda
- Organizational Change Management Overview
- Let's Get Started
- Components of Organizational Change
- A Case Study in Change
- Organizational Accomplishments
- DHCS Moving Forward
- Success Factors
- Lessons Learned
- OTECH Moving Forward
- Issues and Challenges
- Exercise
- Questions & Answers
- Closing Statements



What's it like to drive in the fog?





Let's Get Started

- **Organizational Change Management (OCM)**
 - What is OCM?
 - When is it needed?
 - How is change managed?
- **Top Reasons Projects Fail**
 - Why is OCM difficult?
 - Team Attitudes
- **Making it work**



Organizational Change Management

What is Organizational Change Management?

- Organizational Change Management (OCM) is a structured approach for ensuring that organizational changes are smoothly and successfully implemented to achieve lasting benefits
- OCM is a framework for managing the effect of changes in organizational structure or cultural changes within an enterprise



What

- Organizational Change Management (OCM) is “all of the actions required for an organization to understand, prepare for, implement and take full advantage of significant change”.
- OCM is generally applied to an organization-wide change, as opposed to smaller changes such as adding a new person.
- OCM includes the management of changes to the organizational culture, business processes, physical environment, job design; responsibilities; staff skills; knowledge; policies & procedures.



Organizational Change Management

When is OCM needed?

- Organizational Change Management is essential whenever an organization undergoes significant business or organizational changes including:
 - Mission changes
 - Operational changes
 - Strategic changes
 - Structural changes
 - Technological changes
 - Cultural changes



Past Experiences

- Think of an example of organizational change that you have experienced.
 - Was it successful?
 - Did it go smoothly?
 - What were your feelings early on? Later?
 - What did the people around you say about it?

Organizational Change Management

How is change managed?

- Regardless of the many types of organizational change, the critical aspect is an organization's ability to win the buy-in of their employees on the change
- Effectively managing organizational change is a four-step process:
 - Recognizing the changes in the broader business environment
 - Developing the necessary adjustments for the organization's needs
 - Training employees on the appropriate changes
 - Winning the support of employees



Organizational Change Management

Why Manage Change?

- A systematic approach to OCM is beneficial when change requires people throughout an organization to take on new roles, new structure, or learn new behaviors and skills
- By formally setting expectations, employing tools to improve communication and proactively seeking ways to reduce misinformation, stakeholders are more likely to buy into a change initially and remain committed to the change, ultimately leading to a successful transformation

Top Reasons Projects Fail

- 7 of the top 10 reasons projects fail can be tracked back to change management issues



Source: Fortune 500 CIO Survey by Deloitte



Team Attitudes

- Nitpicking Nancy
- Better-than-you Bob
- Cynical Cindy
- Diversion Dan
- Critical Chris
- Martyr Mitch
- Dominant Debbie
- Meek Mel
- Backstabbing Betty

And the rest of the blamers, complainers and defamers.



Why OCM is difficult

Organizations go through four stages on the way to achieving their strategic objective:

- Denial
- Resistance
- Exploration
- Renewal



Pitfalls

Resistance to Change

- Why people resist change:
 - Resistance to change can be a **defense mechanism** caused by frustration and anxiety
 - Individuals may not be resisting the change as much as they are **resisting a potential loss** of status, pay, comfort, or power that arises from expertise
 - In many case there is not a disagreement with the benefits of the new process, but rather a **fear of the unknown future** and about their ability to adapt to it, e.g. fear that one will not be able to develop new skills and behaviors that are required in a new work setting



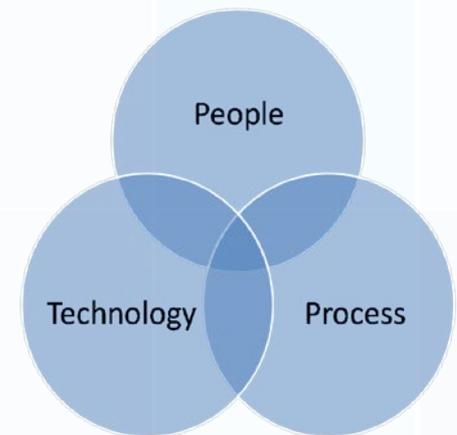
Pitfalls (cont.)

- Why people resist change:
 - There may be **resentment** in disgruntled employees due to a perceived unfairness of the change. This can be strong enough to lead to sabotage.
 - Some employees may see the change as a **violation of "personal compacts"** management has with their employees. This can involve elements of mutual trust, loyalty and commitment and go very deep
 - An employee may have a **"competing commitment"** that is incompatible with the desired change
 - An employee may be operating on the basis of a **desire to protect what they feel is the best interests of the organization**
 - An employee may provoke insightful and well-intended debate, criticism, or disagreement in order to **produce better understanding** as well as additional options and solutions.



Components of Organizational Change

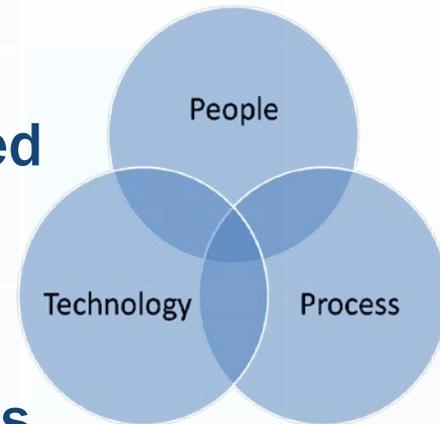
*A Case Study in Multi-
Department Restructure
and Transition*



Components of Organizational Change

Organizational change can be broken down to the following key components:

- **People** – supporting the staff and personnel involved in the change
- **Process** – the functions and procedures used to conduct business effectively and efficiently
- **Technology** – the infrastructure, applications and toolsets used to support people and business processes





How to Lead OCM Changes:

Four Components of OCM:

1. Communication
 - Who are we and what are we here for?
2. Learning
 - Motivation, knowledge, skills
3. Organization
 - Who does what?
4. Performance
 - What will this come down to in practice?





DHCS Reorganization

A Case Study in Change



Building a Unified DHCS

- In 2011 it was deemed by the State of California (AB102, AB106 and Governor's Budget FY13-14) that the California Department of Mental Health (DMH), the California Medical Assistance Commission (CMAC), the California Department of Public Health (CDPH), and CA Department of Alcohol and Drug Programs (ADP) would be re-organized and integrated into the California Department of Health Care Services (DHCS)
- This realignment was prompted to realize multiple benefits to DHCS Consumers and Stakeholders as well as the CA counties and the State
- Unification of the departments and programs will lead to greater efficiencies of scale and streamlined processes



Building a Unified DHCS

The reasons for the re-organization of DHCS centered around several key benefits to consumers and stakeholders:

- Improve the coordination, development and delivery of policies, programs and services
- Improve access by providing a single point of contact
- Create a stronger centralized voice for policy and program coordination, development, implementation and monitoring
- Consolidate California's foundation as a positive advocate for all health related services
- Improve outcomes and provide better quality assurance, accountability and focus on professionalism of the caregiver/provider community and the entities that oversee them



Building a Unified DHCS (cont.)

- Support health care reform and the federal government's effort to encourage integration of mental health and substance abuse care
- Increase administrative and operating efficiencies at the State level
- Increase the State's ability to address the infrastructure components of health care reform including electronic health records, complex billing and data collection systems
- Provide a coordinated approach to dealing with potential fraud, waste, and abuse, which will reduce costs, redundancy, and confusion
- Communicate a clear and consistent culture of accountability from the single state agency



Building a Unified DHCS *Approach*

The DHCS reorganization clearly presented an opportunity to identify changes and create efficiencies in services, policies and procedures. It required attention to all three components of organizational change

- **People Transformation**
- **Process Transformation**
- **Technology Transformation**



People Transformation

The people component of the DHCS transformation was critical and centered around by clear and frequent communication:

- Chief Deputy Director Karen Johnson conducted town hall meetings with all impacted staff
- Brown Bag Meetings were held including all levels of the organization and included the participation of the Chief Deputy and each individual Program Area
- DHCS provided an on-site representative during the transition time period to answer staff questions and address concerns/issues
- DHCS created Welcome Packets which were distributed to all staff to facilitate and communicate details of the change
- A Questions/Answers website was developed
- Specialized staff provided on-site support to migrated/transitioned personnel to field questions and provide support for transition issues



Process Transformation

The process component of the DHCS transformation was designed to ensure the most effective transition and overall success:

Consolidation

- The first step was to consolidate existing business processes and functions from multiple departments into a single department
- The goal was to ensure a seamless transition both internal and external stakeholders
- Introduction of transitioned staff to DHCS processes and procedures

Optimization

- Once key functions were consolidated within DHCS, optimization began to:
 - Analyze and identify duplication and redundancy of processes as well as identify opportunities to enhance efficiencies
 - DHCS is continuing to identify areas where efficiencies of scale can be leveraged



Technology Transformation

The technology component of the DHCS transformation centered around the following key activities:

- Providing seamless migration and transition of technology infrastructure to support all program units and activities
- Provide standardized new, or re-imaged workstations to all transitioned staff
- Provide DHCS email, Internet, and Intranet access to all transitioned employees
- Migrate (“Lift and shift”) all existing business applications and technical infrastructure to DHCS
- Maintain services to stakeholders without interruption
- Identify transitioned applications and toolsets and to bring them up to DHCS standards



Keys to Success

In order to maximize success, DHCS relied upon several key organization change management principles:

- Agreement on a common vision for change
- Strong executive leadership and communication - including Town Hall meetings to share the executive vision
- Careful and early planning - to minimize impact on staff productivity and job functions
- Communication - Individual business meetings and brown-bag lunches with various business units to identify concerns and problem areas prior to the transition
- A Phased Approach – A phased approach was utilized for on-boarding both staff and the technology infrastructure in order to respond to and learn from challenges as they were identified

Keys to Success (Cont.)

In addition, specialized support staff were dedicated to the transition effort:

- Key administrative programs at DHCS took on additional responsibilities to support the transition (including PSB, Accounting, and HR sections)
- Dedicated personnel were assigned specifically to the transition and technology migration efforts
- A third party “Results Group” was set up to independently identify issues and concerns for the staff being transitioned
- An on-site “command center” was created for continuity, communication, and visibility during the transition
- Specialized staff was dedicated on-site (including a “clean-up crew”) to address and resolve unexpected issues and provide final verification after the transition completed



*Two roads diverged in the woods,
and I took the one less traveled by*

“And that has made all the difference...”

The Road Not Taken
Robert Frost



Organizational Accomplishments

Over the course of just over a year, DHCS successfully integrated:

- Department of Mental Health (DMH)
- California Medical Assistance Commission (CMAC)
- California Department of Public Health (CDPH)
- California Department of Alcohol and Drug Programs (ADP)

People: Over 400 staff positions were successfully transitioned to DHCS

Process: Over 20 state level program support and infrastructure units were successfully transitioned to DHCS

Technology: Over 40 mission critical technology systems (plus various toolkits, SharePoint sites, and Access Databases) were successfully migrated to DHCS. In addition, user-accounts, email, network connectivity, internet and intranet access were maintained for all staff.



DHCS Moving Forward



Where we are Today

- Unified, flexible, customer focused delivery organization
- Committed to a partnership with stakeholders
- Developing innovative solutions for the future



Expanded and Integrated

Phase 1

- Ensure business continuity by moving systems and relocating staff (Complete)

Phase 2

- Establish an enterprise IT strategy; migrate, consolidate and standardize systems, and simplify operations through process improvement (In-progress)

Phase 3

- Consolidate cost reporting, streamline payment processing, and increase collaboration (Next Steps)

Phase 4

- Achieve a fully unified IT enterprise and MITA 3.0 compliance



Stronger and Ready for the Future

- We are at an unprecedented time in the history of California's health care
- We have an opportunity to make lasting change that will benefit generations to come
- Collectively and unified, and having successfully managed a complicated change, we are building a unified vision, that sets the course for the future

Success Factors

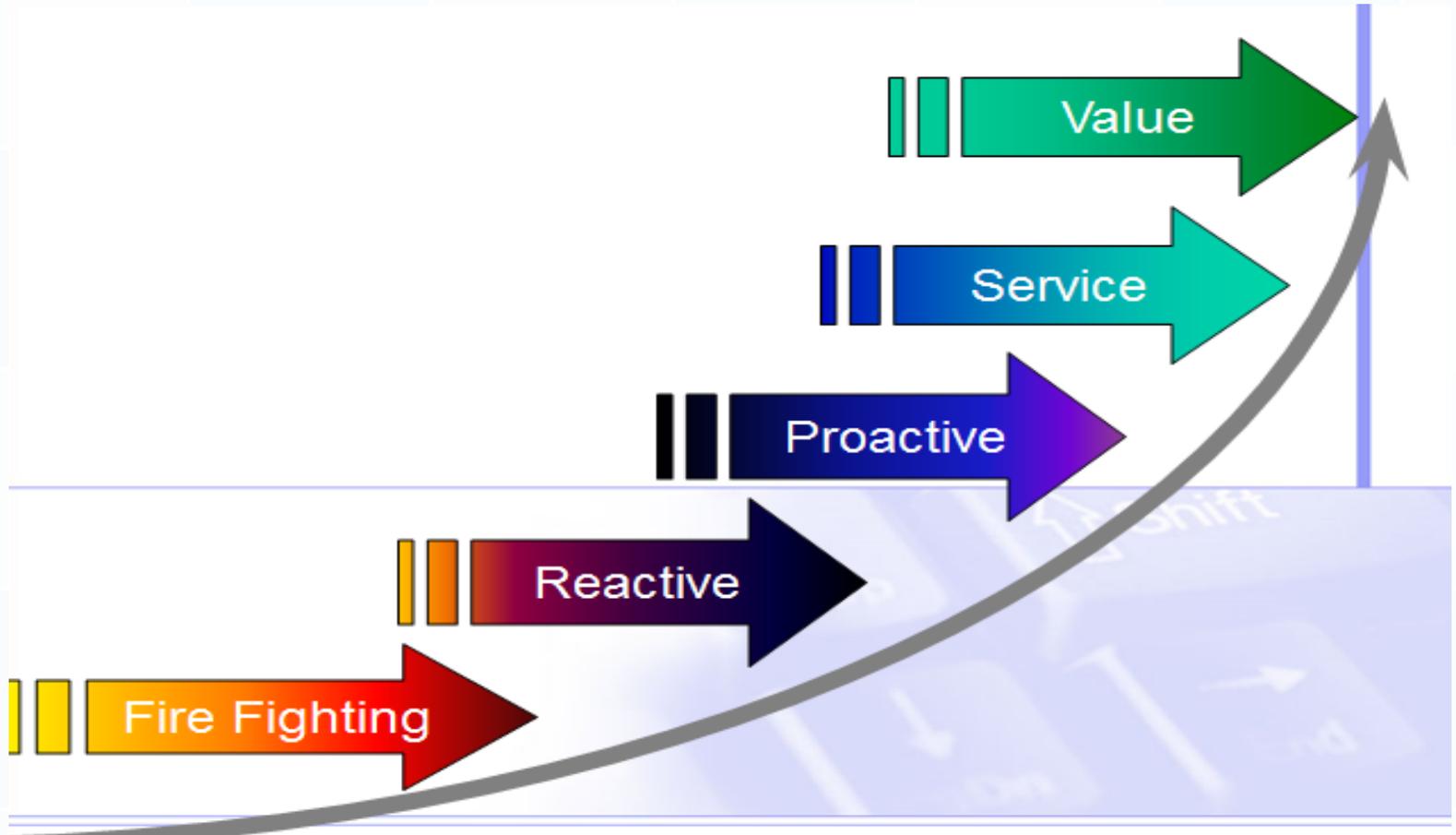
- Get senior management agreement (i.e. conflicting goals can kill the project!)
- Identify a champion who can articulate the reasons for and advantages of the change
- Translate the vision for change into a realistic plan and then carry out the plan
- Involve people from every area of the organization
- Communicate. Communicate. Educate. Educate.
- Get organizational buy-in to the change
- Modify organizational structures so that they will sustain the change
- Widely communicate the potential need for change
- Get as much feed back as practical from the employees
- Don't get wrapped-up in doing the change for the sake of change
- **Don't seek to control change, but rather expect it, understand it and manage it.**



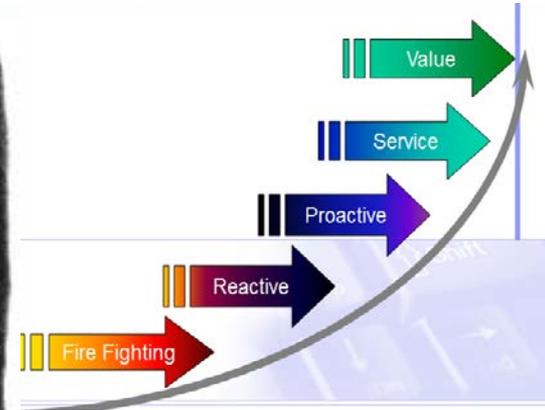
Lessons Learned

- **Pay attention to the people.** Provide adequate attention to the human side of technology projects and you will eliminate one of the greatest causes of technology project failure.
- **Plan the change.** How do you plan to reach the goals, what will you need to reach the goals, how long might it take and how will you know when you've reached your goals or not? Focus on the coordination of the departments/programs in your organization, not on each part by itself. Have someone in charge of the plan.
- **Delegate decisions to employees as much as possible.** This includes granting them the authority and responsibility to get the job done. As much as possible, let them decide how to do the project.
- **The process won't be quick!** It will take longer than you think.
- **Keep perspective.** Keep focused on meeting the needs of your customer or clients.

Otech Moving Forward



RESULTS MATTER!



It Takes:

- Communication
- Commitment
- Leadership, and
- Teamwork!



Where Has OTECH Been?

- Different organizations
- Different cultures
- Consolidation and Modernization
- AB 2408
- A department within an Agency
- Challenges with service management



Where is OTECH Now?

- **Office of Technology Services (OTECH)**
- **An office within a department**
- **We deliver comprehensive, cost-effective IT Services to State and Local government customers**
- **Scalable, reliable, and secure center of technology in California government**
- **Now at an important “pivotal time”**



Where Is OTECH Going?

- A service oriented organization with a unified vision
- New solutions and new customers
- On-Demand resources, self provisioning, and high availability
- Greater stability and improved disaster recovery
- Virtualization at all levels
- IT advisor and broker

Change is on its way!





How Will We Get There?

- Improved communication (up, down, and across)
- More effective project coordination
- Better alignment of IT investments and priorities
- Increased efficiency and flexibility (through well-defined, measurable IT processes)
- Eliminate organizational “silos”
- Responsiveness
- Comprehensive training
- IT Leader in California government



Issues and Challenges

- Meeting customer demands
- Communication
- Service design and delivery process
- Resource management
- Knowledge transfer and succession planning
- Security in all its aspects
- Disaster Recovery
- Planning for IT investments
- Rapid pace of change in technology



Exercise



Questions & Answers



We must focus our gaze down the road and through the turn