

MGMT 4135
Project Management

Chapter-3 | **Organization Structure &
Culture**

How will approved projects be implemented?

- Three different project management structures to choose from:
 1. Functional organization
 2. Projectized or dedicated teams
 3. Matrix structure

How will approved projects be implemented?

- **Functional Organization**

1. Even though top management decides to implement the project, implementation and coordination is managed by functional management.
2. One functional area plays a dominate role or has a dominate interest in the success of the project
3. While several functional organizations may have a role in the project the overall project will be managed within the normal hierarchy.
4. The project will be part of the working agenda of top management.

How will approved projects be implemented?

- **Functional Organization Advantages**

1. **No change.** Projects are managed within the functional structure of the organization to administer and complete project. No radical change in the operations of the parent company; status quo.
2. **Flexibility:** Specialists in different functional units can temporarily work on the project then return to their normal work.
3. **In-Depth Expertise:** The functional unit is assigned primary responsibility and in-depth experts within the unit can concentrate on the most crucial aspects of the project.
4. **Easy Port-Project Transition:** Normal career paths within a function division remain intact. The functional unit worked on it and they maintained it after being implemented.

How will approved projects be implemented?

- **Functional Organization Disadvantages**

1. **Lack of Focus:** Each functional unit has its own routine operational work to do. Project responsibilities can easily be pushed aside in order to meet normal obligations. *Imagine the tension if the marketing people had to wait for the operations people to complete their segment before they can proceed.*
2. **Poor Integration:** Poor integration across functional teams as functional specialists tend to be concerned only with their project responsibilities, not what is best for the total health of the project.
3. **Slow:** Takes longer to complete projects as decisions have to be circulated through normal management channels. Each having focus on their own operational areas may be quite slow to respond to project concerns, as this is not their core function.

How will approved projects be implemented?

- **Functional Organization Disadvantages**

4. **Lack of Ownership:** Weak motivation of the resources assigned to the project as it is not directly linked to their professional development or advancement.

Also because functional resources are working only on a segment of the project, they do not identify with the project big picture. This lack of ownership discourages a strong commitment to project-related activities.

How will approved projects be implemented?

- **Organizing Projects as Dedicated Teams**

1. Also known as a **projectized organization**. These teams operate as separate units apart from the parent organization.
2. The project manager does all the recruiting of project resources (internal and external) and has full authority to assign priorities and direct the work of team members assigned to the project.
3. The project team is physically located separate from the parent organization.
4. The sole purpose of this dedicated team is to drive completion of the project with no interest in daily operations.
5. There can be multiple dedicated teams within the organization each dedicated to a major project.

How will approved projects be implemented?

- **Dedicated Teams - Advantages**

1. **Simple:** All specialists are dedicated to the project allowing the functional units to operate without project work interruption.
2. **Fast:** Project get done more quickly when project team members are fully focused to the project and are not distracted by other obligations. Response time is much faster because decisions are made within the dedicated team instead of being dependent on the response across the hierarchy (as seen in the Functional structure).

How will approved projects be implemented?

- **Dedicated Teams - Advantages**

3. **Cohesive:** Motivation and cohesiveness is present as all share a common goal and personal responsibility towards the success of the project.
4. **Cross-Functional Integration:** Experts or specialists from different work areas work together and are committed to optimizing the project, not just their respective area of expertise.

How will approved projects be implemented?

- **Dedicated Teams – Disadvantages**

1. **Expensive:** Newly created management positions plus resources (workers) on the project teams work on a full-time basis. Because more than one project is going on at a time, this results in duplication of efforts across all projects and a loss of economies of scale.
2. **Internal Strife:** Sometimes dedicated teams take on a social phenomenon called *Projectitis* in which members of the dedicated team exhibit inappropriately intense loyalty to the project.

How will approved projects be implemented?

- **Dedicated Teams – Disadvantages**

3. **Limited Technological Expertise:** Because these teams are self-contained, the level of expertise is limited by the skill level and expertise among the recruits. Because of the “*we versus them*” syndrome, specialists often will not consult with other experts in the functional units.

4. **Difficult Post-Project Transition:** When the project is completed and the team members are released from the project, going back to their former functional position may not be available.

It may be difficult for those released resources to catch up with new developments that occurred during their prolonged absence.

How will approved projects be implemented?

- **Organizing Projects within a Matrix Model**

1. The Matrix model is a hybrid organizational form in which a project horizontally crosses over several the functional units.
2. Matrix structure is designed to utilize resources working on multiple projects as well as being capable of performing normal functional duties.
3. Two chains of command: Project managers and functional managers.
4. Matrix structures achieve smoother integration by recognizing the legitimate authority of the project manager. The functional manager ensures the project tasks will be assigned and completed per the project schedule and per the promptings of the project manager.

How will approved projects be implemented?

- **Different Matrix Forms**

1. **Weak matrix:** very similar to a functional approach with the exception that there is a formal designated project manager responsible for coordinating project activities.
 - a) Project manager acts as a staff assistant who develops the schedules and checklists, collects information on work status, and facilitates project completion.
 - b) Project managers have indirect authority
 - c) Functional managers have full and direct authority over resources
 - d) **Advantage:** likely to improve technical quality as well as a better system for managing conflicts across projects because the functional manager is in control of unit resources.
 - e) **Disadvantage:** Functional control over the project is often the cause of poor project integration.

How will approved projects be implemented?

- **Different Matrix Forms**

2. **Balanced matrix:** classic structure in which the project manager is responsible for defining what needs to be accomplished and functional managers are concerned with how it will be accomplished
 - a) Project manager establishes the overall plan, integrates completed tasks, sets schedules, and monitors progress
 - b) Functional manager is responsible for assigning personnel and executing their project work per the standards and schedules set by the project manager.
 - c) Both the project and functional managers work closely together and jointly approve technical and operational decisions.

How will approved projects be implemented?

- **Different Matrix Forms**

- d) Power is shared equally between the project and functional manager
- e) Balanced matrix can achieve better balance between technical and project requirements. However, it is a delicate system to manage due to sharing authority and resources with a functional manager.

How will approved projects be implemented?

- **Different Matrix Forms**

3. **Strong matrix:** project manager controls most aspects of the project such as scope trade-offs and assignment of functional personnel.
 - a) Project manager controls when and what resources do and has final say on major project decisions
 - b) Functional manager has title over the unit and is often utilized as a “subcontractor” for the project, in this case having more control over specialized work.
 - c) **Advantage:** Strong matrix is likely to enhance project integration, diminish internal power struggles, and ultimately improve control of project activities and costs.
 - d) **Disadvantage:** quality may suffer because functional areas have less control over the quality of contributions to the project.

How will approved projects be implemented?

- **Different Matrix Forms – General Advantages**
 1. **Efficient:** Resources are shared across multiple projects within functional divisions. This reduces duplication of effort as seen in a projectized structure.
 2. **Strong Project Focus:** A stronger focus on projects due to having a designated project manager. This helps sustain a holistic approach to problem solving which is often lacking in the functional unit.
 3. **Easier Post-Project Transition:** Since the project organization is overlaid across functional divisions, specialists maintain ties with their functional group and are not displaced when a project ends.

How will approved projects be implemented?

- **Different Matrix Forms – General Advantages**

4. **Flexible:** Matrix structure provides for flexible utilization of resources and expert skill sets within the organization.

Depending on the culture and the Matrix structure, functional units may provide individuals who are entirely managed by the project manager while engaged on a project. In other cases, the contributions to the project are managed and monitored by the functional manager.

How will approved projects be implemented?

- **Different Matrix Forms – General Disadvantages**

Potential weaknesses in a matrix structure is due in great part that it creates multiple bosses over functional resources. This is a radical departure from the traditional hierarchical authority system.

Managers who are not indoctrinated to a project style organization may find it difficult to relinquish or even share their authority over their staff with a project manager.

Analysis shows that a matrix structure can take 3 to 5 years to reach full maturity. The disadvantages and problems that follow represent growing pains along the journey of project maturity.

How will approved projects be implemented?

- **Different Matrix Forms – General Disadvantages**
 1. **Dysfunctional conflict:** Tension between functional managers and project managers is viewed as a necessary mechanism for achieving a balance between complex technical issues and unique project requirements. Additionally, this tension can be the result of conflicting agendas (project and operational) and accountabilities (to project and to operational demands).
 2. **Infighting:** When equipment and resources are being shared between project and functional activities, it can lead to conflict and competition for scarce resources. Infighting can occur between project managers who are vying for the same resources when concerned about what is best for their project.

How will approved projects be implemented?

- **Different Matrix Forms – General Disadvantages**
 3. **Stressful:** Matrix structures violate the management principle of unit of command. Project participants take orders from their functional managers in addition to one or more project managers. Working in a matrix environment can be stressful to people resources.
 4. **Slow:** The presence of a project manager to coordinate project tasks should accelerate completion of projects. In practice, however, decision making can get bogged down as agreements have to be obtained across multiple functional groups. This is especially true in balanced matrix.

What is the Right Project Mgmt. Structure?

- **Organizational Considerations**

1. **How important is project management for the success of the organization?**

- a) If over 75% of work being done involves projects, then the organization should consider a fully projectized structure.
- b) If the organization performs both standard products and projects, then a matrix structure would be appropriate.
- c) If the organization has very few projects, then a less formal arrangement is probably all that is needed (i.e. functional structure).
- d) Finally, dedicated (or projectized) teams could be formed only on an as-needed basis or could be outsourced.

What is the Right Project Mgmt. Structure?

- **Organizational Considerations**

2. **How available are resources?**

- a) Matrix structures share resources across multiple projects and functional work while at the same time creating legitimate project leadership.
- b) For resources who have limited resources and cannot afford to tie up critical personnel on projects, a matrix structure is appropriate.
- c) Alternatively, the organization could create a dedicated team or outsource the project when internal resources are not readily available.

What is the Right Project Mgmt. Structure?

- Project Considerations**

- Seven factors that influence the choice of adopting a project management structure:

Size of the project	Strategic importance	Novelty and need for innovation	Need for integration
Environmental complexity	Budget and time constraints	Stability of resource requirements	

- The higher the importance of these seven factors the more autonomy and authority the project manager and the project team needs in order to be successful.
- Today a growing number of companies are using the “mix and match” structure approach for managing their projects.

Organizational Culture

• What is Organizational Culture?

- Refers to a system of shared norms, beliefs, values, and assumptions which binds people together and becomes a shared meaning.
- Culture reflects the personality of the organization and defines its aspects setting is apart from other organizations, even in the same industry.
- According to research, there are 10 primary characteristics that, when aggregated, capture the culture of the organization:
 1. **Member identity:** employees identify with the organization as a whole rather with their type of job or their field of professional expertise.
 2. **Team emphasis:** the degree in which work activities are organized around groups rather than individuals.

Organizational Culture

- **What is Organizational Culture?**

- 10 primary characteristics that, when aggregated, capture the culture of the organization (continued):
 3. **Management focus:** the degree in which management decisions take into account the effect of outcomes on people in the organization.
 4. **Unit integration:** the degree to which organizational units are encouraged to operate in both coordinated or interdependent manners.
 5. **Control:** the degree in which rules, policies, and direct supervision are used to oversee and control employee behavior.
 6. **Risk tolerance:** the degree in which employees are encouraged to be aggressive, innovative, and risk seeking.
 7. **Reward criteria:** the degree to which rewards (promotion & salary bumps) are allocated according to performance rather than seniority, favoritism, or other non-performing factors.

Organizational Culture

- **What is Organizational Culture?**

- 10 primary characteristics that, when aggregated, capture the culture of the organization (continued):
 8. **Conflict tolerance:** the degree in which employees are encouraged to air conflict and criticisms openly
 9. **Means versus end orientation:** the degree in which management focuses on outcome rather than on techniques or processes used to achieve those results.
 10. **Open-system focus:** the degree to which the organization monitors and responds to changes in the external environment
- These 10 dimensions provide a composite picture of the organization's culture. It becomes the basis for feelings shared across the organization, how things are done, and the way members are supposed to behave.

Organizational Culture

• What is Organizational Culture?

- Culture provides a sense of identity for its members. The more clearly an organization's perceptions and values are stated, the more strongly people can identify with their organization and feel part of it.
- Culture helps legitimize the management system and helps clarify authority and why authority should be respected.
- Culture clarifies and reinforces standards of behavior by defining what is permissible and inappropriate behavior.
- Culture helps create social order within the organization. Customs, norms, and ideals provide stability and predictability in behavior, essential for an effective organization.

Organizational Culture

- **What is Organizational Culture?**
 - Countercultures can sometimes emerge that support a different set of values, beliefs, and customers, which are often in direct contradiction with the culture espoused by top management.
 - Subcultures can emerge within specific departments or specialty areas. *E.g. People working in the marketing department may have a different set of norms and values than those in the finance department.*

Organizational Culture

- **Identifying Cultural Characteristics** - Deciphering the culture is more than a subjective opinion someone may have about the organization. The following checklist can provide clues about the “real” norms, customs, and values of the organization.
 1. **Study the physical characteristics of an organization:** Dress code, architecture and modernization of the building for all employees, etc.
 2. **Read about the organization:** annual reports, mission statements, press releases, internal newsletters— what do they describe and what principles are espoused in those documents?
 3. **Observe how people interact within the organization:** their pace, rituals, expressed values, who attend meetings and who does the talking, time spent on issues – all are clues about the values of the organization’s culture.
 4. **Interpret stories and folklore about the organization:** similarities among stories told, subject matter in the stories, folklore heroes and villains, and what they suggest about the ideals of the culture.

Implications of Organizational Culture for Organizing Projects

- Project managers have to interact with the culture of the parent organization and work well in the subcultures of various departments.
- Project managers have to interact with the client or customer organizations.
- Project managers have to interact with other organizations connected to the project
- Project managers have to be able to read and speak the culture they are working in when developing strategies, plans, and responses that will be understood and accepted.
- Strong correlation between project management structure and the organizational culture with project success.

Implications of Organizational Culture for Organizing Projects

- Given the metaphor that culture is a river and a project is a boat, org. cultures that are conducive to project management is like paddling downstream, i.e. must less effort is required.
- Some cultures have such a strong project culture and are project-friendly. In these cases, projects succeed due to the norm of project commitment, healthy conflict, and committed to the strategies of the organization.
- Toxic cultures is like paddling upstream, which requires more time, effort, and constant attention to the end goal. These are cultures that discourage teamwork, have a low tolerance for conflict, and where “getting ahead” is less about performance and more on relationships with upper management.

Implications of Organizational Culture for Organizing Projects

- The degree of interdependence between the parent organization and the project team determines how well the culture will support project management.
- Again, based on the culture and commitment to project management, the structure will be conducive to either Functional, Projectized, or Matrix (weak, balanced, strong).

Chapter-3 Key terms:

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