

The Organizational Context: Strategy, Structure, and Culture

Chapter 2

Projects and Organizational Strategy

Strategic management – the science of formulating, implementing and evaluating ***cross-functional decisions*** that enable an ***organization*** to achieve its ***objectives***.

Consists of:

- Developing vision and mission statements
- Formulating, implementing and evaluating
- Cross functional decisions
- Achieving objectives

Projects Reflect Strategy

Projects are **stepping stones** of corporate strategy

The firm's strategic development is a **driving force** behind project development

Some examples include:

A firm wishing to...	...may have a project
redevelop products or processes	to reengineer products or processes.
changes strategic direction or product portfolio configuration	to create new product lines.
improve cross-organizational communication & efficiency	to install an enterprise IT system.

Relationship of Strategic Elements



Fig 2.1

Stakeholder Management

Stakeholders are *all individuals or groups* who have an *active stake* in the project and can potentially impact, either *positively or negatively*, its development.

Sets of project stakeholders include:

Internal Stakeholders

- Top management
- Accountant
- Other functional managers
- Project team members

External Stakeholders

- Clients
- Competitors
- Suppliers
- Environmental, political, consumer, and other intervenor groups

Project Stakeholder Relationships

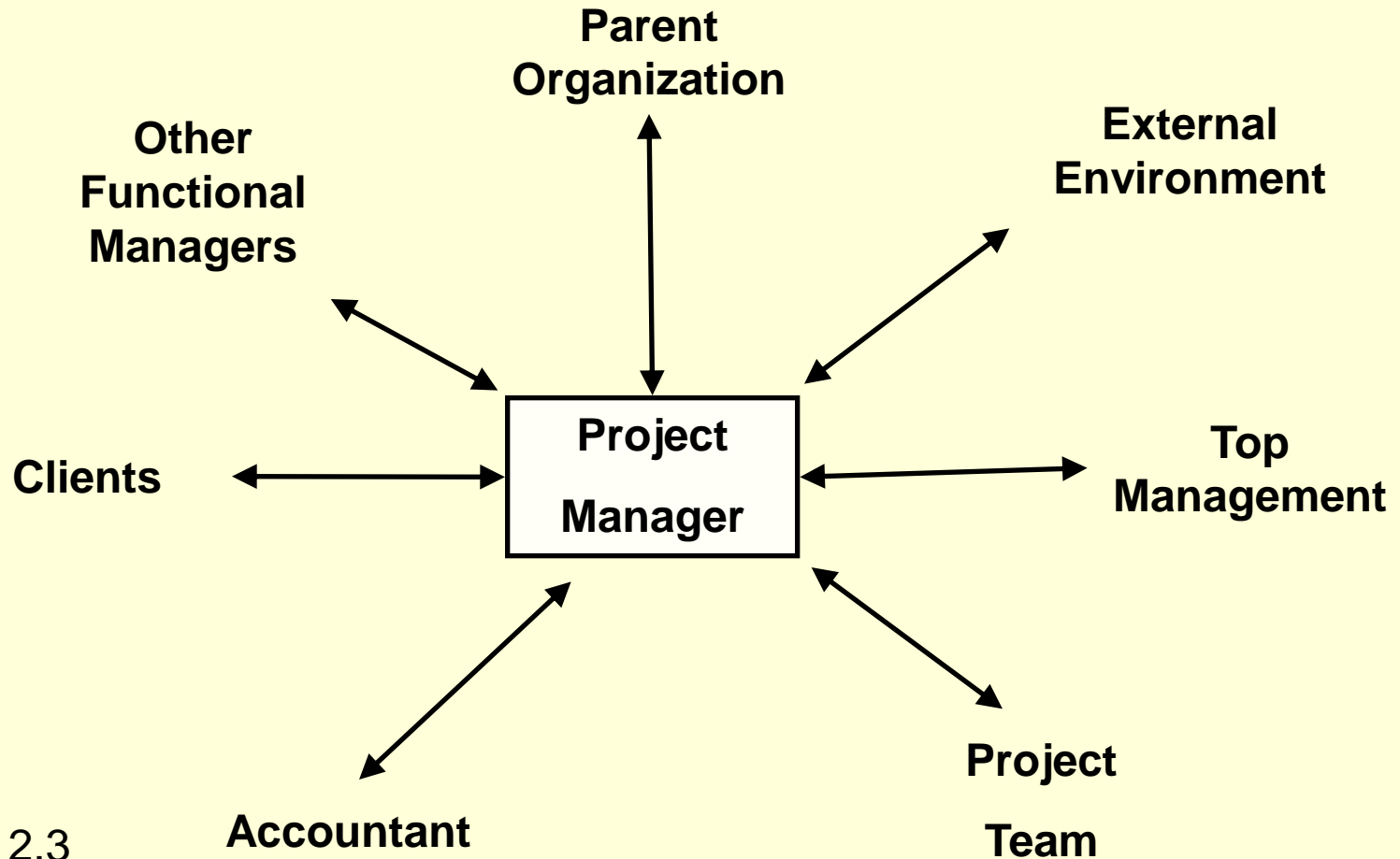


Fig 2.3

Managing Stakeholders

1. Assess the environment
2. Identify the goals of the principal actors
3. Assess your own capabilities
4. Define the problem
5. Develop solutions
6. Test and refine the solutions

Project Stakeholder Management Cycle

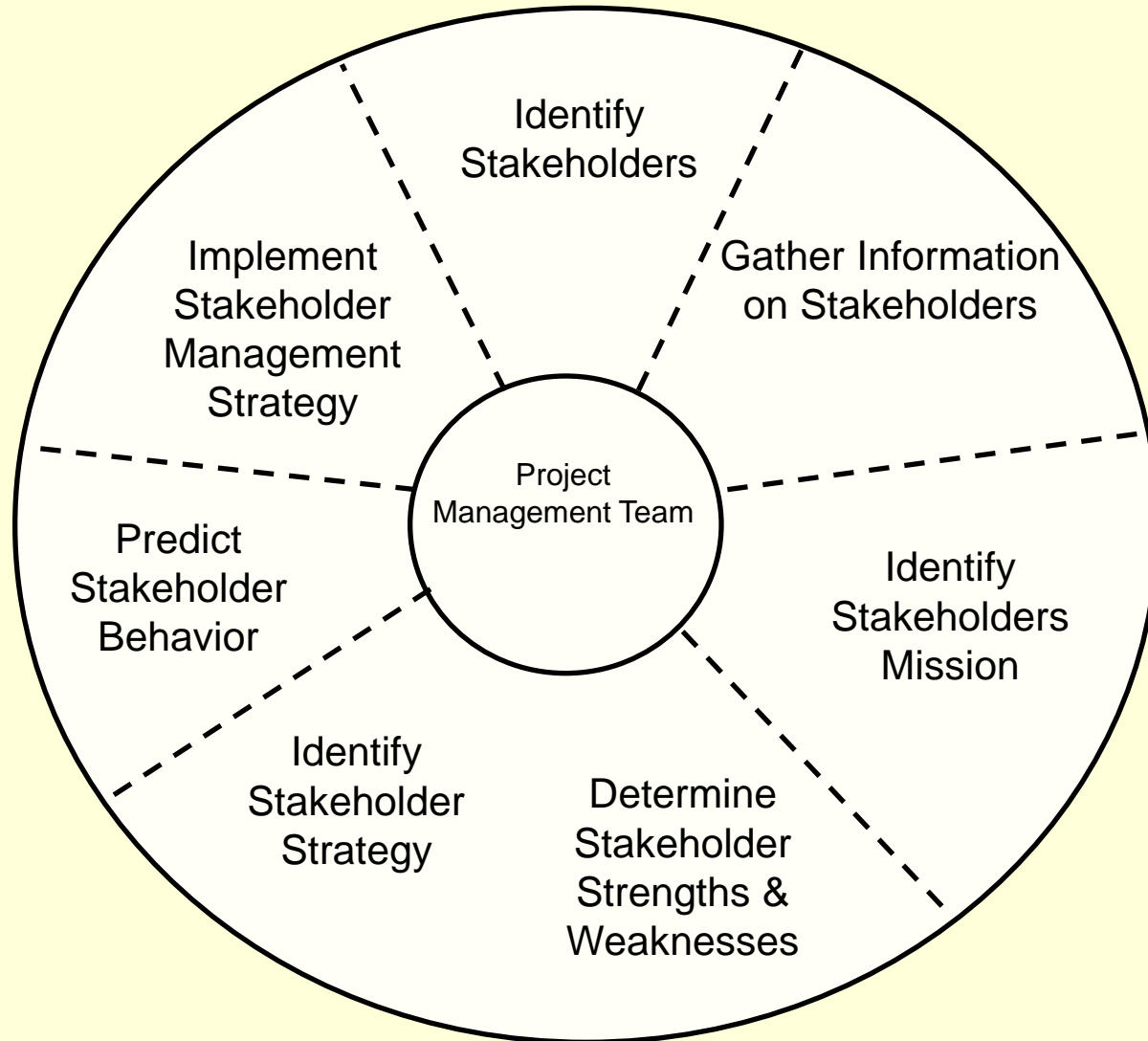


Fig 2.4

Organizational Structure

Consists of three key elements:

1. Designates formal reporting relationships
 - number of levels in the hierarchy
 - span of control
2. Groupings of:
 - individuals into departments
 - departments into the total organization
3. Design of systems for
 - effective communication
 - coordination
 - integration across departments

Forms of Organization Structure

- Functional organizations – group people performing similar activities into **departments**
- Project organizations – group people into **project teams** on temporary assignments
- Matrix organizations – create a dual hierarchy in which **functions and projects** have equal prominence

Functional Structures for Project Management

Strengths

1. Firm's design maintained
2. Fosters development of in-depth knowledge
3. Standard career paths
4. Project team members remain connected with their functional group

Weaknesses

1. Functional siloing
2. Lack of customer focus
3. Projects may take longer
4. Projects may be sub-optimized

Project Structures for Project Management

Strengths

1. Project manager sole authority
2. Improved communication
3. Effective decision-making
4. Creation of project management experts
5. Rapid response

Weaknesses

1. Expensive to set up and maintain teams
2. Chance of loyalty to the project rather than the firm
3. No pool of specific knowledge
4. Workers unassigned at project end

Matrix Structures for Project Management

Strengths

1. Suited to dynamic environments
2. Equal emphasis on project management and functional efficiency
3. Promotes coordination across functional units
4. Maximizes scarce resources

Weaknesses

1. Dual hierarchies mean two bosses
2. Negotiation required in order to share resources
3. Workers caught between competing project & functional demands

Heavyweight Project Organizations

Organizations can sometimes gain tremendous benefit from creating a *fully-dedicated project organization*

Lockheed Corporation's "Skunkworks"

- Project manager authority expanded
- Functional alignment abandoned in favor of market opportunism
- Focus on external customer

Project Management Offices

Centralized units that oversee or improve the management of projects

Resource centers for:

- Technical details
- Expertise
- Repository
- Center for excellence

Forms of PMOs

- Weather station – monitoring and tracking
- Control tower – project management is a skill to be protected and supported
- Resource pool – maintain and provide a cadre of skilled project professionals

Organizational Culture

The *unwritten rules* of behavior, or norms that are used to *shape and guide behavior*, is shared by *some subset of organization* members and is *taught to all new members* of the company.

Key factors that affect culture development

- Technology
- Environment
- Geographical location
- Reward systems
- Rules and procedures
- Key organizational members
- Critical incidents

Culture Affects Project Management

- Departmental interaction
- Employee commitment to goals
- Project planning
- Performance evaluation