



International
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Fundamentals of Project Management

MSc Project Management

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Organisational Context

- Organisational Context
- Organisational Structure



Organisational Context

Organising for Projects – Theory and Practice

Three theoretical ways to organise Projects within the company:

1. Functional
2. Dedicated Team
3. Matrix



Organisational Context

Organising for Projects – Theory and Practice

Why?

Projects are significantly different from daily operations.
Thus, it seems sensible to organise them differently.



Organisational Context

Organising for Projects – Theory and Practice

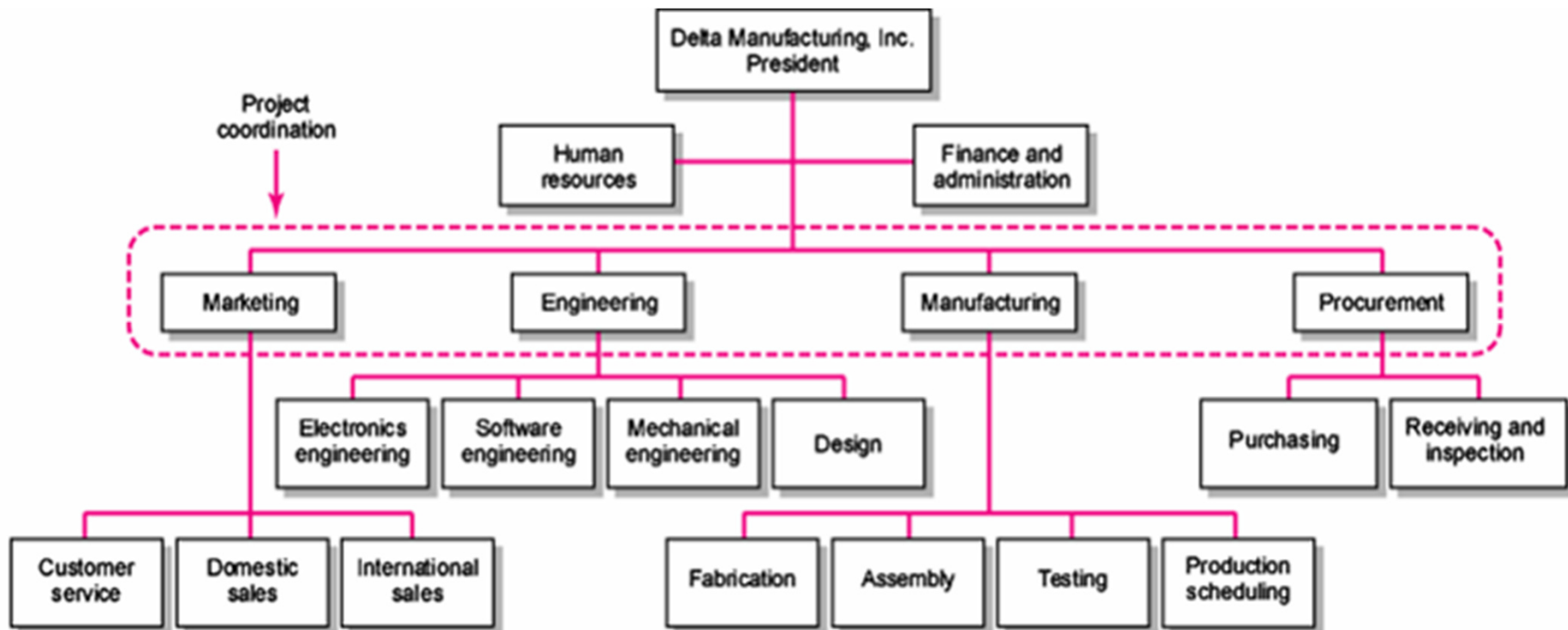
But!

Conflicting priorities between Project and Operations.

What to do first?

Organisational Context

Functional Organisation



Source: Larson/Gray (2006)



Organisational Context

Functional Organisation

Projects are executed through the regular, departmental structure of the company.

The Project Segments are delegated to the relevant department(s). Coordination and communication are maintained through normal management channels (chain of command).



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Functional Organisation

Advantages

- No change to organisation
- Flexible
- Expert Execution
- Easy transition on closure

Disadvantages

- Lack of (Project) focus
- Coordination?
- Lack of ownership
- Slow

Chosen when one functional area dominates the Project.



Organisational Context

Dedicated Project Teams

Projects are conducted by dedicated teams.

Regular departments support these teams

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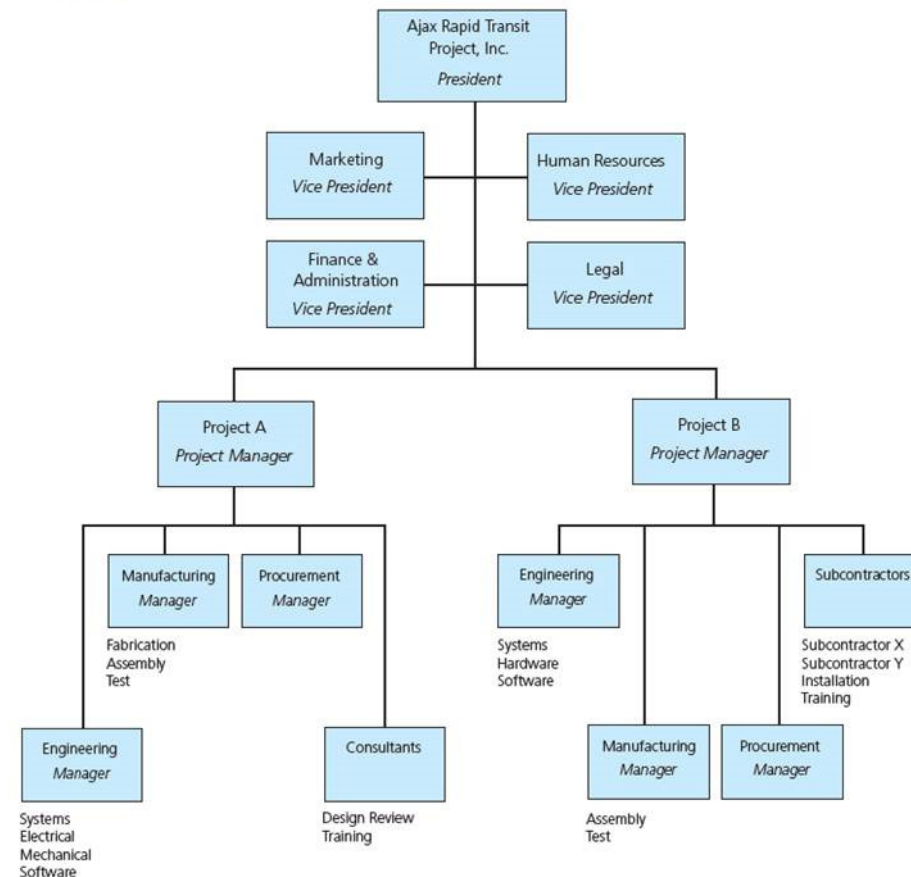
Team based Structure

Support functionally organised
Extent varies

Users?



FIGURE 13.2 Autonomous Project Organizational Structure





Organisational Context

Dedicated Project Teams

Advantages

- Simple
- Fast
- Cohesive
- Cross-Functional Integration

Disadvantages

- Expensive
- Internal Strife
- Limited expertise
- Difficult transition on closure

Chosen when Projects dominate the business.



Organisational Context

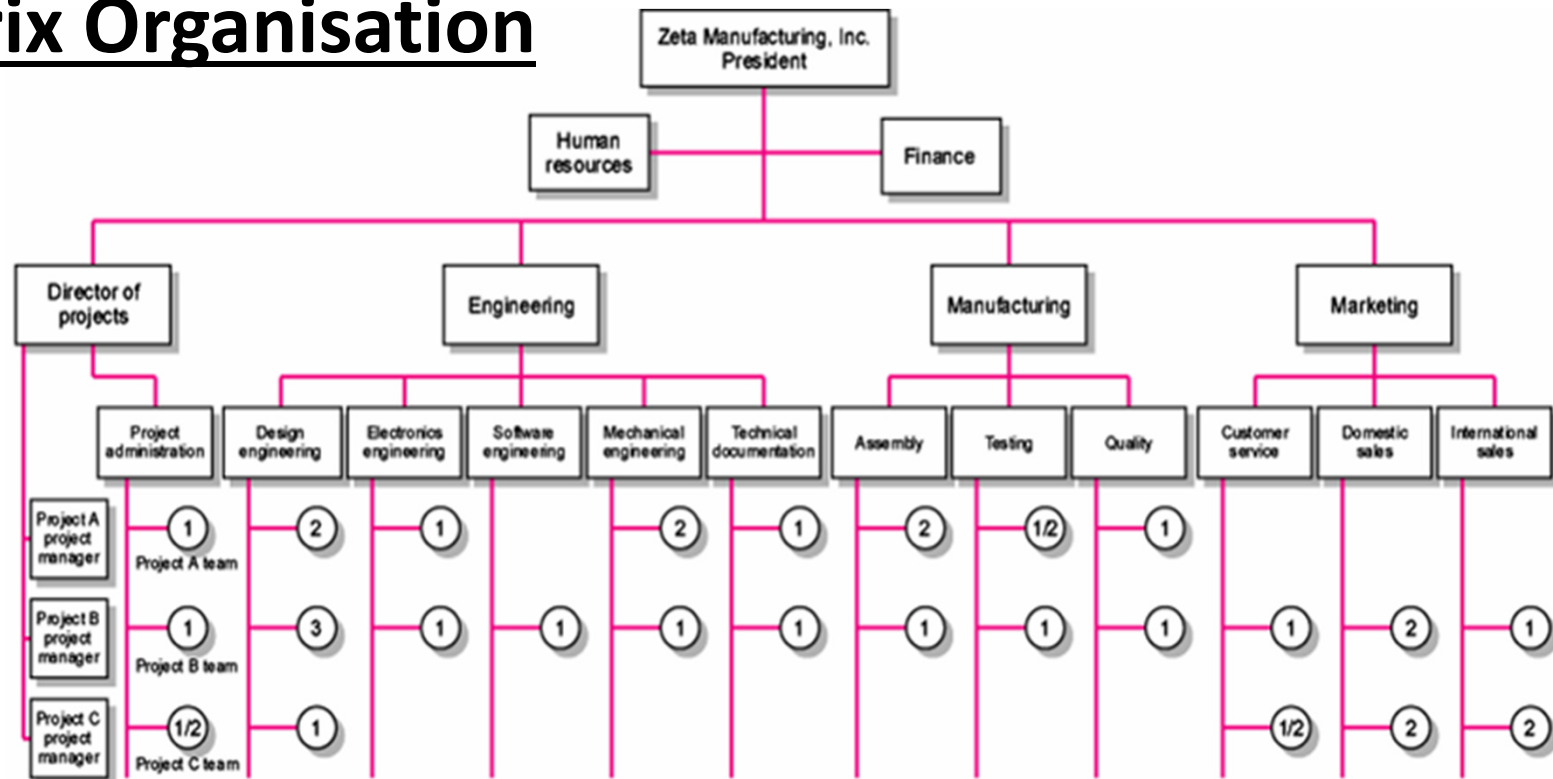
Matrix Organisation

Second level of command laid over the functional organisation.

Three different Matrixes (weak, balanced, strong) depending on power of PM.

Organisational Context

Matrix Organisation



Source: Larson/Gray (2006)



Organisational Context

Matrix Organisation

Advantages

- Efficient resource sharing
- Strong Project focus
- Easier transition on closure
- Flexible

Disadvantages

- Conflict PM-Line Manager
- Conflict PM-PM (Resources)
- Stress (Two or more Bosses)
- Slow (High coordination)



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Matrix Organisation

Attempts to balance between function and project but creates a second layer of difficulty.

Hybrid structure that takes time to establish itself (3-5 years)



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Considerations for Organising

Organisational:

Importance and frequency of Project (success)?

Resource access and availability?

Corporate abilities and strategy?



Organisational Context

Considerations for Organising

Project considerations:

Size, importance, novelty, need for cross-department collaboration, external interfaces (Stakeholders), budgetary and time constraints

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TABLE 13.1 Advantages and Disadvantages of Organizational Structures

	ADVANTAGES	DISADVANTAGES
Functional Structure	<ul style="list-style-type: none"> • No duplication of activities • Functional excellence 	<ul style="list-style-type: none"> • Insularity • Slow response time • Lack of customer focus
Autonomous Project Structure	<ul style="list-style-type: none"> • Control over resources • Responsiveness to customers 	<ul style="list-style-type: none"> • Cost inefficiency • Low level of knowledge transfer among projects
Matrix Structure	<ul style="list-style-type: none"> • Efficient utilization of resources • Functional expertise available to all projects • Increased learning and knowledge transfer • Improved communication • Customer focus 	<ul style="list-style-type: none"> • Dual reporting relationships • Need for balance of power



Organisational Context

Case study: PERNIS

Read the Case study and consider how Project Management should be organised. Elaborate on your decision.

Questions to ask: What are the advantages and disadvantages for every choice? Also consider “the bigger picture” of organisational integration. What issues could come up for your choice and how would you manage them?



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Case study: PERNIS

Expert Advice: Frans van Gunsteren (the guy who did it)



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Considerations for Organising

Mix and Match approach

Different Projects, different types of Organisation.

Transforming the company. Moving from function via Matrix (weak, balanced, strong) on to Project Teams.

Companies are not fixed entities. They evolve over time! It is necessary to look at and understand corporate culture.



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Corporate Culture and Projects

Corporate culture is a synonym for shared norms, beliefs, values and assumptions connecting people working together for a common goal.

Research determined 10 primary characteristics to explain a certain culture.



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Corporate Culture and Projects

1. Identification with organisation
2. Level of Team Emphasis
3. Management focus on impact on employees
4. Unit separation or interdependence (Departmentalisation)
5. Control (formal rules)
6. Risk tolerance
7. Reward allocation (seniority or performance?)
8. Conflict Management
9. Focus on outcomes or processes?
10. Change readiness



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Corporate Culture and Projects

How to determine corporate culture – A checklist

1. Study the physical organisation
2. Read about the organisation (History, Founder, Heroes...)
3. Observe how its people interact
4. Interpret their 'stories'



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Corporate Culture and Projects – Implications

PM is on receiving end of corporate culture, departmental (sub)culture as well as Stakeholder's culture.

Corporate culture can facilitate, hamper or even prohibit Project success.

“In a toxic culture completing a Project is like paddling upstream. Lot's of effort and you get nowhere”

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Corporate Culture and Projects – Implications



Source: Larson/Grey (2006)

Flexibility and openness seem to be key facilitators.



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Project Selection and Evaluation

Resource shortage and mandate of innovation combined with stakeholder entitlement force increased onus on the corporation to rigorously select and monitor their Projects.

Continued failure questions corporate ability to do so effectively.



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Project Selection and Evaluation

Solution:

A new function developed solely for that very purpose, the Project Management Office (PMO).



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Project Portfolios and PMO

- Oversee project selection.
- Monitor aggregate resource levels and skills.
- Encourage use of best practices.
- Balance projects in the portfolio in order to represent a risk level appropriate to the organization.
- Improve communication among all stakeholders.
- Create a total organization perspective that goes beyond silo thinking.
- Improve overall management of projects over time.

Source: Larson/Gray (2006)



Organisational Context

The PMO in short

Monitors all current Projects (Tracking)

Performs (Risk and Ability) Analysis, determines 'Strategic Fit'

Maintains and communicates best practices (Lessons learned)

Acts as resource center (trained PMs, materials etc.)

Developes, refines and suggests Project Selection criteria (no authority to select or enforce).



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The PMO in short

Contemporary Project Management is a Strategic Exercise, best handled within a PMO at management level.

PMO, Portfolios and Strategic considerations in MAN474!

Organisational Context

Scoring Models
Ranking Models
Financial Models

FIGURE 2.1 Project Evaluation and Selection Form

PROJECT EVALUATION AND SELECTION			
EVALUATION CRITERIA	PROJECT A	PROJECT B	PROJECT C
Investment (\$)	\$700,000	\$2,100,000	\$1,200,000
Return on Investment	9.1%	18.3%	11.5%
Time to Market	10 months	16 months	12 months
Increase in Market Share	2%	5%	3%
Risk	Low	High	Medium
Chance of Success	High	Medium	High

Comments

Project A: Major competitor already has similar product and may reduce price.

Project B: New technology may not work as expected.

Project C: Product features may not be accepted in some international markets.

Making Decisions based on the same Criteria
Selecting the Project(s) with the best “score”



Organisational Context

Key Questions:

\$ and Risk!



Organisational Context

Quantifying Risk and Opportunity (NPV)

Diverse techniques

Numbers are not everything!



Organisational Context

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