David Luong
NSSA-370
HW#11

4) What are the fundamental factors in developing organizational structures?

Before getting into the basic factors for structuring an organization, Chapter 11 of the textbook emphasizes the level of impact of each factor on three of the five organizational structures (functional, departmental, and matrix; the other two structures are flat and virtual). An organization's [size] is one of the first factors to consider because it directly influences an organization's overall decision-making, including how to adjust an organization's own project plans and strategies for implementation, and how to better estimate both budget and schedules based on the amount of resources an organization has available. Regardless of how well an organization makes its decisions, *uncertainty* and *risks* are guaranteed and endless in every project; [uncertainty] refers to the sporadic changes to the project inputs and outputs, which matter a lot to large organizations with more resources and attributes involved (*departmental and matrix*) and may require *functional organizations* to spend more time on deciding how to arrange their employees by their unique specialties in various functions. Uncertainty can lead to [complexity] such that different functions within an organization might struggle to understand internal processes that are operating simultaneously; similar to uncertainty, complexity grows as an organization expands.

Furthermore, [interdependencies] among the three main organizational structures are necessary to reduce complexity. For instance, not only does a functional structure groups employees in an organization by their strengths, but it can also borrow employees from other functions within the same organization, and to some extent, those from department and matrix structures, in order to speed up the progress of its own formation; similarly, since the matrix structure combines aspects of both functional and departmental structures and groups employees by their specializations specifically, the matrix structure needs to ensure that various functional managers have shared rights and privileges with project managers in the organization, even though they have different functions in the organization. These examples also suggest the need to consider [time], [duration], [importance], and [differentiation] as organizational structure develops. Equally important, good organizational structures tend to put [customers] first because they understand the value of relying on both external sources and internal sources to reinforce their own structures, just like successful projects, which are achieved by generating value for customers.

33) What are the best practices of outsourcing?

Before getting into the best practices of outsourcing, it's important to understand outsourcing companies'/outsourcers' motivations for doing so, and consider both its advantages and disadvantages. One of the main reasons companies want to outsource is that they want to expedite their core work processes in order to strengthen their resources internally, but not outsource them because of global competition. By obtaining external resources – often at a low cost (e.g., skilled, diverse people for cheap labor) – outsourcers save a lot of money in the long run (which also means they can allocate their other available resources for areas in need), and are able to work much faster than if they relied only on resources in-house, which may not provide the full capabilities or necessary skillsets to help achieve organizational objectives, effectively. Despite maximized efficiency and increased effectiveness produced by outsourcing, outsourcing can also lead to insecurity. Insecurity arises from communication barriers and conflicting work styles – due to differences in culture, manners, and work standards – between outsourcers and outsourcees; as a result, insecurity leads to an exchange/transfer of risks between both parties. To be clear, outsourcing allows companies to save money and reduce dwell time but could also bring undesired consequences, if outsourced companies or locations perceive outsourcers as domineering.

Chapter 11 of the textbook describes the best practices of outsourcing by individual sections simultaneous with the progression of the project lifespan. In the project initiation phase, *project selection* needs to be taken seriously before project planning takes place, so that companies don't waste time on proposed projects that don't create value for customers and get more costly, if selected and not managed well. In reference to Chapter 4, which focuses entirely on project initiation, selected projects must be clearly defined and match major success criteria: (1) their strategies need to align with organizational strategies; (2) they can keep up with market trends; (3) they can quickly adapt to changes in technology; (4) they generate value and maximize revenue; and (5) projects offer a competitive advantage. The last three criteria are crucial in helping companies decide whether to outsource. Going back to *project selection*, companies that plan to outsource need to have a great understanding of their competitors' backgrounds, and compare their own strengths & weaknesses to their competitors' (e.g., by using SWOT analysis and performance metrics) in order for companies to prioritize and improve on their core strengths.

Now that companies are able to identify their main focus areas and better understand their competitors, companies can move on to *selecting their outsourcees*. Throughout this process, companies should consider outsourcing not only because doing so is inexpensive but also because they're able to find their specific needs (*cost efficiency and talent/skilled labor*) from outsourcees to help achieve organizational objectives. In addition to seeking out necessities, outsourcers have to carefully assess the quality of those necessities (*e.g., if technical skills are needed, how fluent or adept are the outsourced companies or individuals? Can they be depended upon by outsourcers during challenging times? Also, can they stand challenging situations such as uncertainty and complexity?*). Such cost, resource, and quality/performance factors are part of the [project requirements]; and if there are missing project requirements, or ones that have not been met, the process of outsourcing projects gets further behind schedule. To ensure a smoother outsourcing process, there needs to be transparent communication between outsourcers and outsourcees in order to reduce the conflicts between them and escalations due to personal issues. Outsourcers have to clarify their true intentions for outsourcing before outsourcees can provide what outsourcers actually need (*though some transactions may not be successful, either because both parties cannot fully accept each other's differences or because both parties remain competitive over important resources*).

For *effective communication, people/relationship & conflict management*, both parties should come to an agreement by signing a formal [contract], indicating they understand each other; they know where they stand in terms of roles & responsibilities; and outsourcing would provide both parties flexibility in their cooperation. If professional, personal, and relational aspects are well managed, there will likely be direct [project control] in which both parties must cooperate within the scope of their agreed-upon contract. Part of their cooperation involves regular meetings (onsite, if conducted internally; virtual, if different teams/employees from different locations are involved); through these interactions, both personal issues and project-related issues can be mitigated at the same time. As a result, outsourcers and outsourcees develop better trust in each other, and will be willing to openly share/transfer knowledge, which has to be updated constantly during and after the *delivery and documentation of projects*, and resumes even after project completion.

Taking into account the sections mentioned in the preceding paragraphs – project selection; selection of outsourcees; project requirements; effective management of communication, interpersonal relationships and conflicts, and work-related conflicts; project control; knowledge transfer; and project delivery – companies that plan to outsource can start to notice any [hidden costs] that exists throughout the outsourcing process. According to Chapter 11, *hidden costs* include the total cost of searching extensively for the best, suitable outsourcees (*search costs*), the cost incurred after both parties begin to cooperate (*contracting costs*), the accumulated costs between work transitions, and the extremely high costs of poor project management. By realizing unexpected *hidden costs*, which should be more explicit in detail, outsourcers would have to better manage the project in order to remove these costs from the net cost. Last, a clear [exit strategy] is needed to maintain the effectiveness of outsourcing after the contract between both parties expires. A good exit strategy is especially important for outsourcers because it allows them to realize the pros and cons of outsourcing in order for them to make further improvements in the future.

Grade: 97 / 100

Professor's Feedback:

4. Good depth. You could have provided examples of the structures you mentioned to support you analysis which would make the answer a little better, but it was still a good answer.

33. Another thorough answer. I like how you began the answer with motivations.