

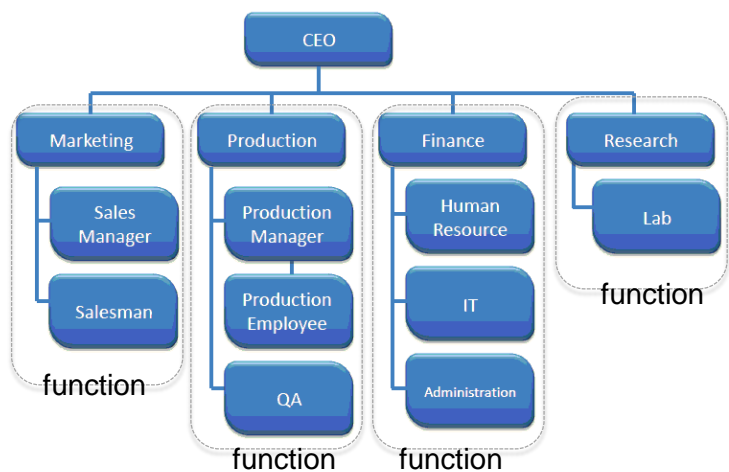
Chapter 2.1

Understanding Organization Structures

Learning Objectives

- Understanding the Project Organizational Structures
- Understanding the Project Organizational Culture
- Understanding the Project Infrastructure
 - Enterprise Environment Factors (EEF) and Organizational Process Assets (OPA)
 - Understand organizations, including the organizational structures and organizational culture

An Organization Chart



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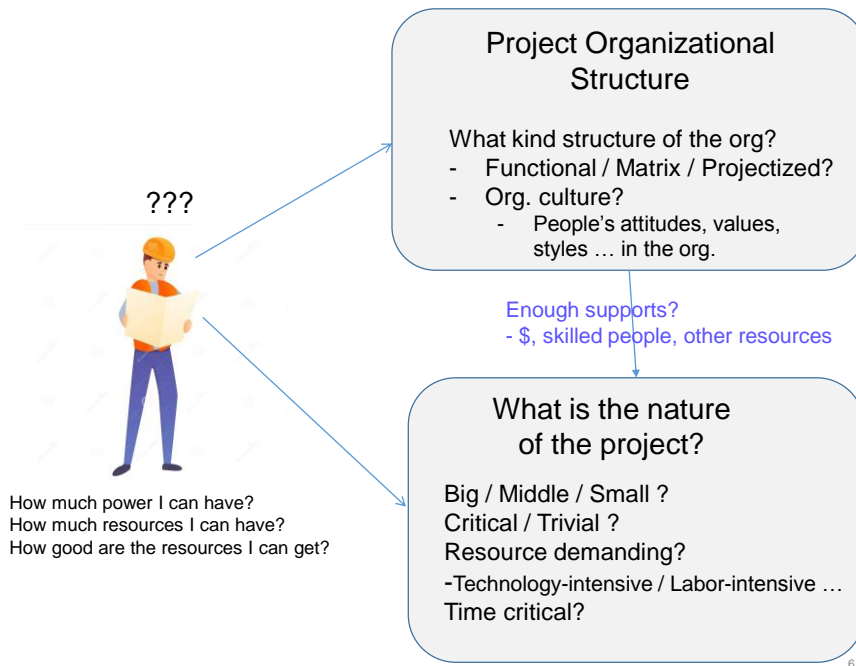
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Project Organizational Structure

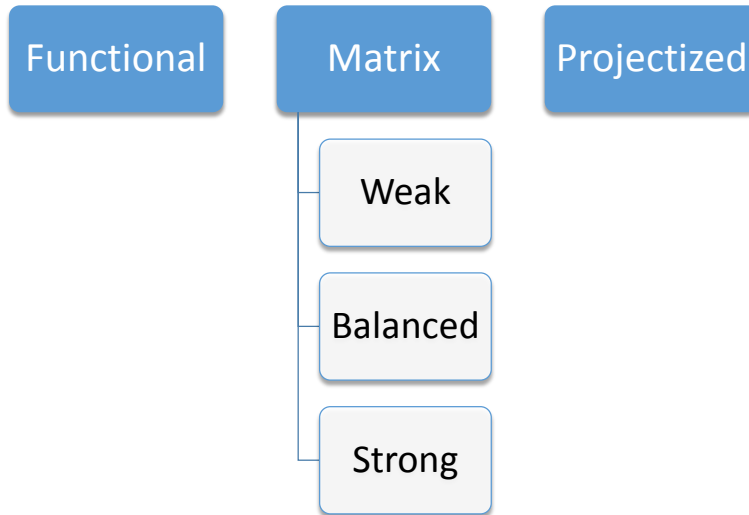
A project organization

is a structure that facilitates the coordination and implementation of project activities.

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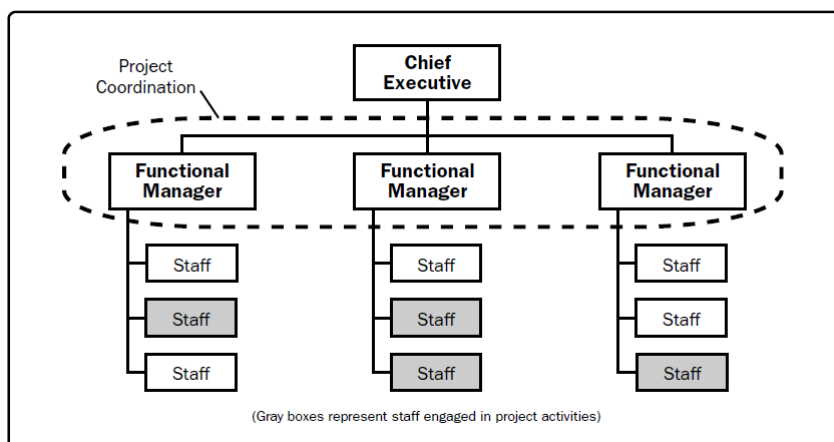


Organizational Structures



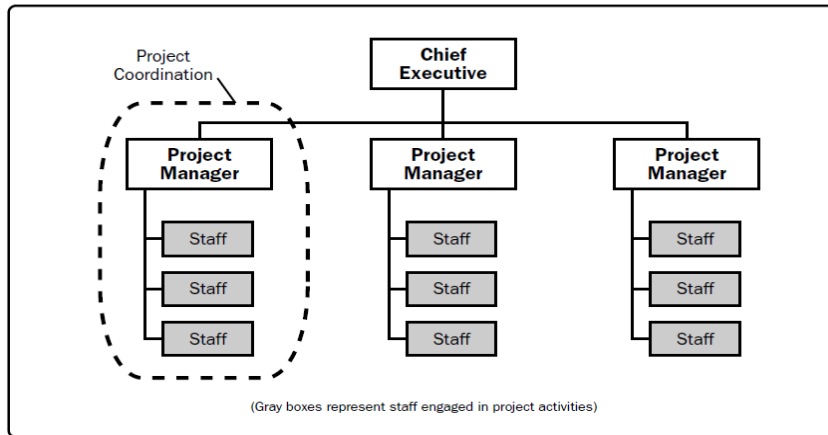
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Functional Organization



The most typical type of organization type found in companies.

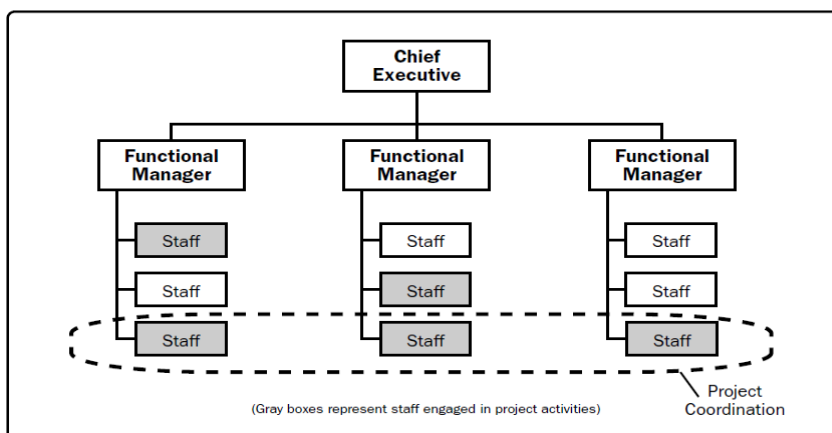
Project (*Projectized*) Organization



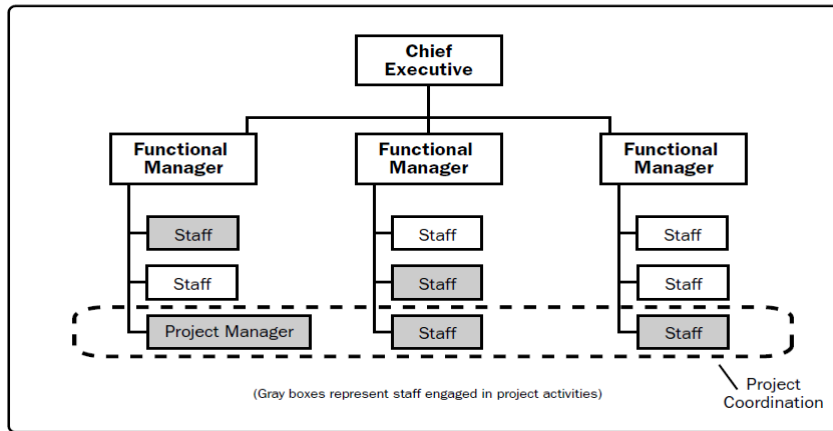
Only a few types of companies use this structure, such as consulting, design, construction companies, software houses, or other companies that provide contract-based services as their core business.

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Weak Matrix Organization



Balanced Matrix Organization



Strong Matrix Organization

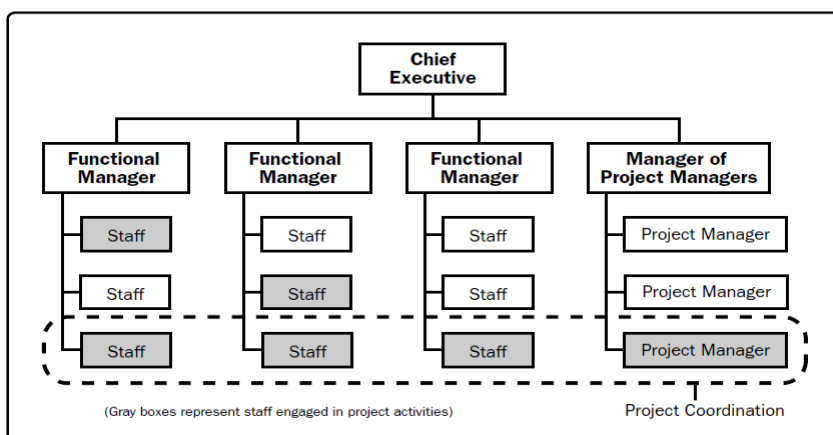


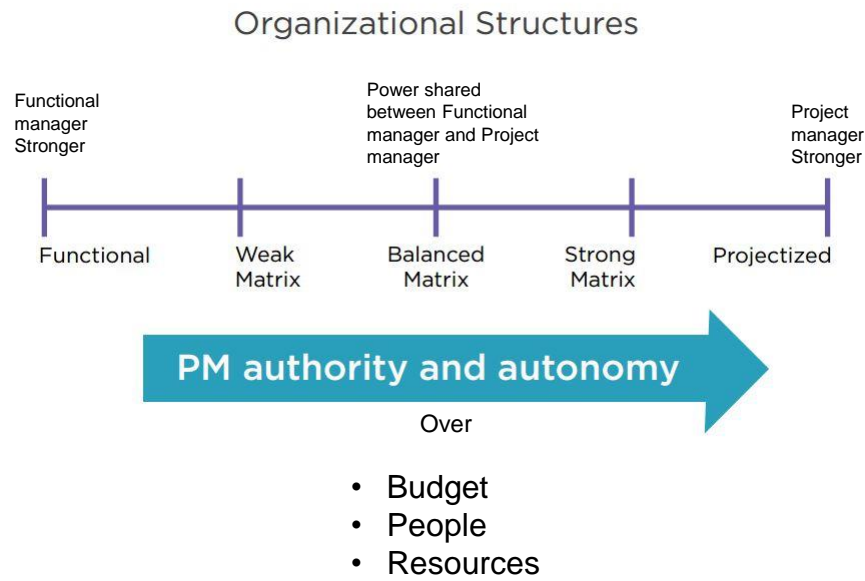
Table 2-1. Organizational Structure Influences on Projects

Project Characteristics	Organizational Structure Type				
	Functional	Matrix			Project
		Weak Matrix	Balanced Matrix	Strong Matrix	
Project manager's authority	Little or none				
Percent of performing organization's personnel assigned full-time to project work	Virtually none				
Who controls the project budget	Functional manager				
Project manager's role	Part-time				
Common title for project manager's role	Project Coordinator/ Project Leader				
Project management administrative staff	Part-time				

PMBOK® Guide, 2000, 19, and PMBOK® Guide 2004, 28.

Information Technology Project Management, Sixth Edition

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Pros and Cons of **Functional** Org. Structure

▶ **Pros:**

- > Stable organization structure
- > Employees have one superior and have a clear chain of command
- > Efficient use of resources

▶ **Cons:**

- > PM (project coordinator) has no or little authority over staff (functional managers have higher authority over PM)
- > PM has limited control of resources or low priority in using resources

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Pros and Cons of **Projectized** Org. Structure

▶ **Pros:**

- > PM have full authority
- > Fast decision making
- > Effective to solve highly changing and unclear problems
- > Employees have one supervisor and have a clear chain of command.

▶ **Cons:**

- > Costs are sometimes higher.
- > Resources are not efficiently shared.

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Pros and Cons of **Matrix** Org. Structure

▶ Pros:

- > Improves PM control over resources.
- > Resources can be used efficiently and can be shared across projects.
- > Products and projects are formally coordinated across functional departments

▶ Cons:

- > Requires extra administrative support.
- > Team members have more than one boss to report to
- > More complex to monitor and control
- > More effort in communication and coordination between PM and functional managers

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Which Org Structure is more suitable?

Your organization is producing a product whose specifications rarely change, and the project is neither complex nor mission-critical. In this case, what kind of organization structure is more suitable?

Either functional or weak matrix organizational structure is more suitable because they are good for a team organization involved in production operation with stable requirements and non-critical tasks. It is because the project manager does not have strong control over staff and other resources.

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Which Org Structure is more suitable? (cont.)

Your organization is a software house consisting of 10 people, whose primary business is to provide full IT solutions based on clients' requests. In this case, what kind of structure is more suitable?

Since your organization is primarily dealing with projects, the projectized organization structure is more suitable because it allows PMs to have more controls of the team members and other resources.

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Which Org Structure is more suitable? (cont.)

Your organization receives a contract of the construction of Macao light railway transportation system. What kind of organizational structure is more suitable?

Either projectized or strong matrix organizational structure is more suitable because your organization is dealing with a big and mission-critical project and it is expected to last for a long time. So, the project is expected to be dedicated with resources and manpower.

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Organizational Culture

- **Organizational culture** is a set of shared assumptions, values, and behaviors that characterize the functioning of an organization.
- Many experts believe the underlying causes of many companies' problems are not the structure or staff, but the culture

10 Characteristics of Organizational Culture

- | | |
|--------------------|--------------------------|
| • Member identity | • Risk tolerance |
| • Group emphasis | • Reward criteria |
| • People focus | • Conflict tolerance |
| • Unit integration | • Means-ends orientation |
| • Control | • Open-systems focus |

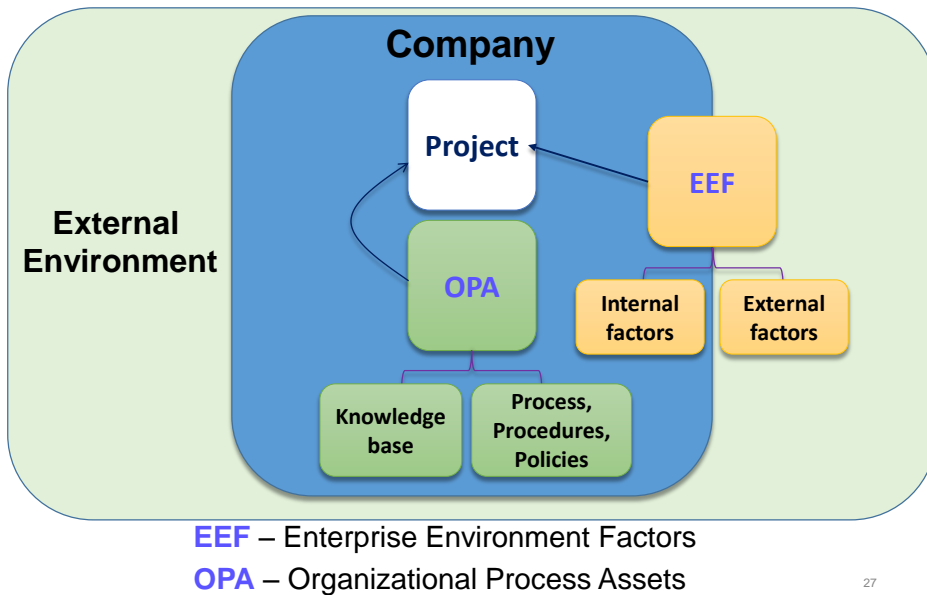
Project work is most successful in an organizational culture where these items are strong/high or balanced.

- Member identify – the degree to which employees have a strong sense of belonging, agree with what the org does, are proud of being a member.
- Group emphasis – emphasizing team spirit.
- People focus – people-oriented, considering people first.
- Risk tolerance – the companies anticipate and prepare for the potential risks, making themselves be capable to overcome if they occur.
- Reward criteria – the reward links with performance.
- Conflict tolerance – the degree to which employees are encouraged to air their conflicts and criticism openly, that in turn encourages better communication.
- Means-ends orientation – the degree to which management focuses on outcomes rather than on tech and process. Looking for balanced approach.
- Open-systems focus – the degree to which the organization monitors and responds to change in the external environment. ²³

The Importance of Top Management Commitment (Executive Support)

- People in top management positions are key stakeholders in projects
- A very important factor in helping project managers successfully lead projects is the level of commitment and support they receive from top management
- Without top management commitment, many projects will fail
- Some projects have a senior manager called a **champion** who acts as a key proponent for a project

Project, EEF and OPA

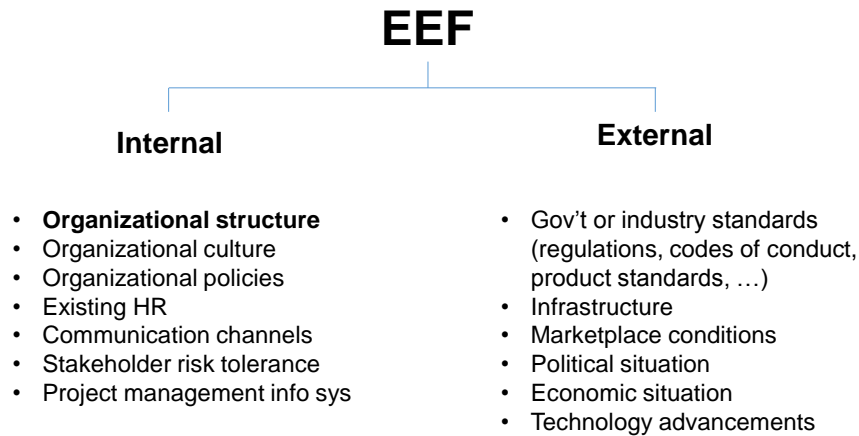


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Enterprise Environmental Factors (EEF)

EEF refers to the conditions, not under the control of the project team, that influence, constrain, or direct the project.

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Organizational Process Assets (OPA)

OPA are the plan, processes, policies, procedures, guidelines, information systems, financial systems, management systems, lessons learned and historical information that can help a project.

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OPA

Knowledge base

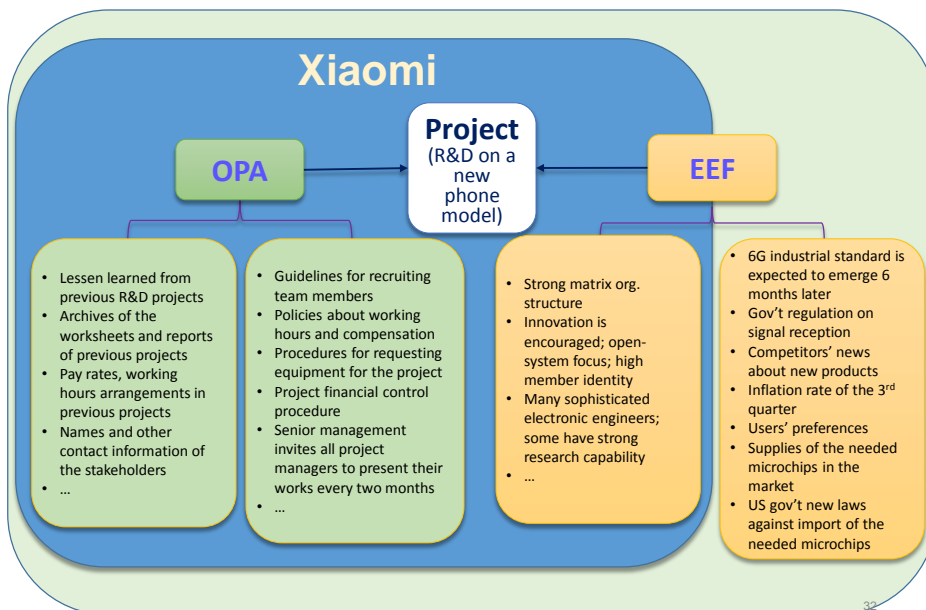
- Lessen learned
- Project archives
- Financial database (Labor rates, working hours)
- Best practices
- Risk / stakeholder registers

Process, Procedure, Policies

- Organization's standardized processes
- Policies
- Guidelines
- Standard templates
- Communication channels
- Work authorization procedures
- Financial control procedures

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Example of EEF and OPA



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