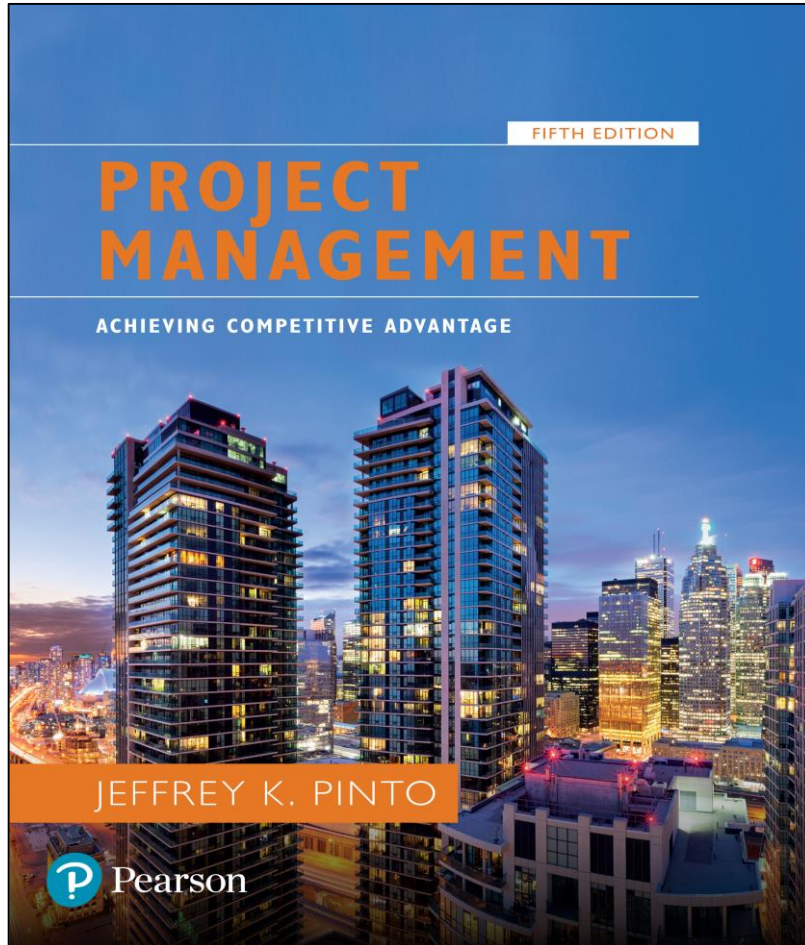# Project Management: Achieving Competitive Advantage

Fifth Edition

Chapter 2

The Organizational Context: Strategy, Structure, and Culture

Outline

- Strategy

- Environmental Analysis

- Stakeholder Analysis

- Organizational Structure

- Project Management Office

- Organizational Culture

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

- Making cross-functional decisions

- Achieving objectives

Strategy

…a plan of action designed to achieve a long-term or overall aim…

Identify you main aim and decide on specific actions that would be required to achieve those aims.

Some marketing strategies: market penetration, niche marketing, geographic segmentation etc.

These are specific strategies that the marketing department can employ to achieve overall organisational goals.

How would projects fit into these?

Table 2.1 Projects Reflect Strategy

Strategy	Project
Technical or operating initiatives (such as new distribution strategies or decentralized plant operations)	Construction of new plants or modernization of facilities
Development of products for greater market penetration and acceptance	New product development projects
New business processes for greater streamlining and efficiency	Reengineering projects
Changes in strategic direction or product portfolio reconfiguration	New product lines
Creation of new strategic alliances	Negotiation with supply chain members (including suppliers and distributors)
Matching or improving on competitors' products and services	Reverse engineering projects
Improvement of cross-organizational communication and efficiency in supply chain relationships	Enterprise IT efforts
Promotion of cross-functional interaction, streamlining of new product or service introduction, and improvement of departmental coordination	Concurrent engineering projects

Pearson

Environmental Analysis

… is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity that may affect an organisation.

One basic tool for conducting this is the SWOT Analysis.

Strength

Weakness

Opportunity

Threat

Figure 2.2 TOWS Matrix

	External Opportunities (O) 1. 2. 3.	External Threats (T) 1. 2. 3.
Internal Strengths (S) 1. 2. 3.	SO "Maxi-Maxi" Strategy Develop projects that use strengths to maximize opportunities	ST "Maxi-Mini" Strategy Develop projects that use strengths to minimize threats
Internal Weaknesses (W) 1. 2. 3.	WO "Mini-Maxi" Strategy Develop projects that minimize weaknesses by taking advantage of opportunities	WT "Mini-Mini" Strategy Develop projects that minimize weaknesses and avoid threats

Class Assignment

- Develop a TOWS Matrix for an organisation of your choice. Use at least three factors each from the environmental analysis. (5marks)

Stakeholder Management

Stakeholder analysis is a useful tool for demonstrating some of the seemingly irresolvable conflicts that occur through the planned creation and introduction of new projects.

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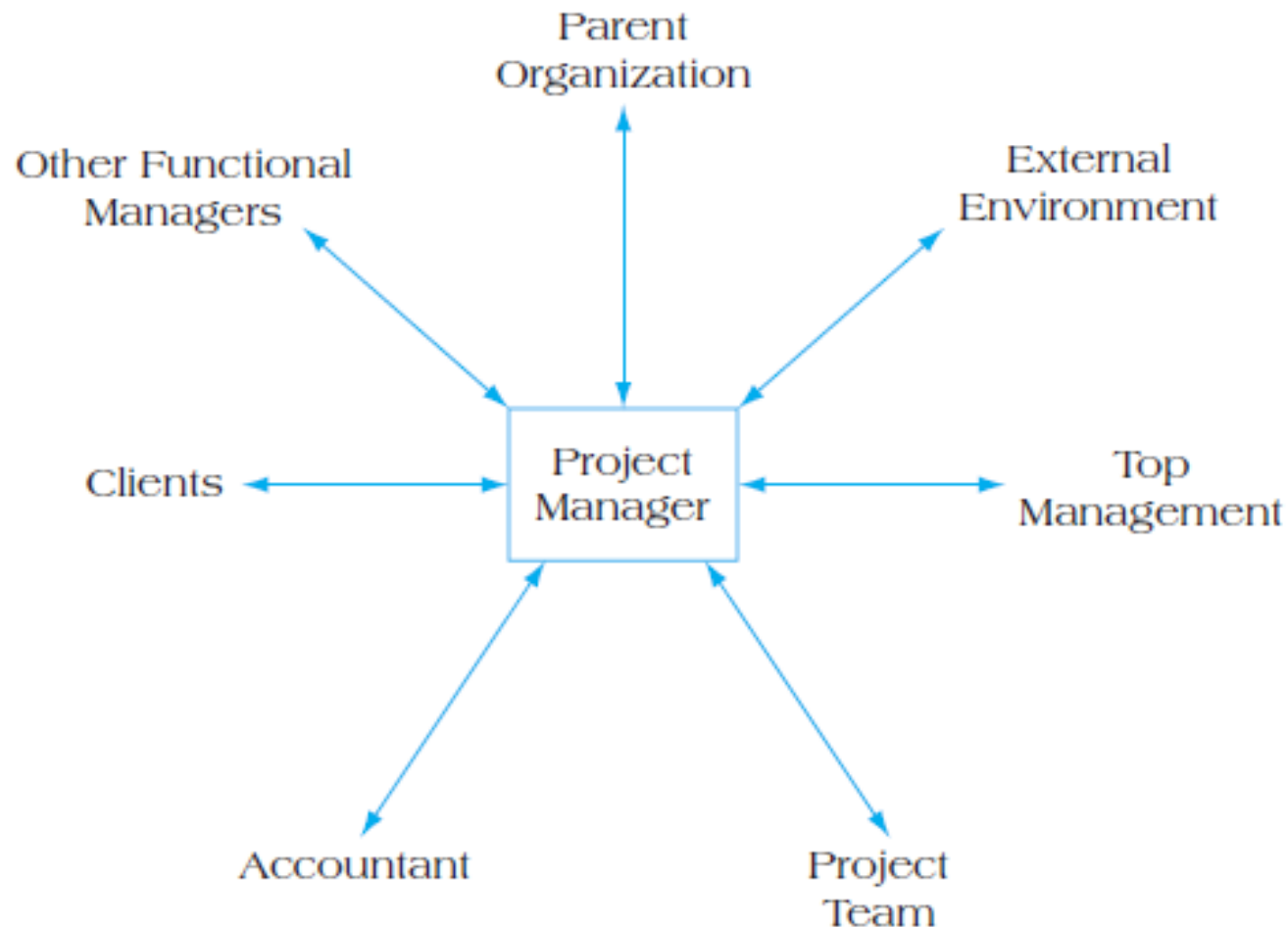
Identifying Project Stakeholders

Internal Stakeholders

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

External Stakeholders

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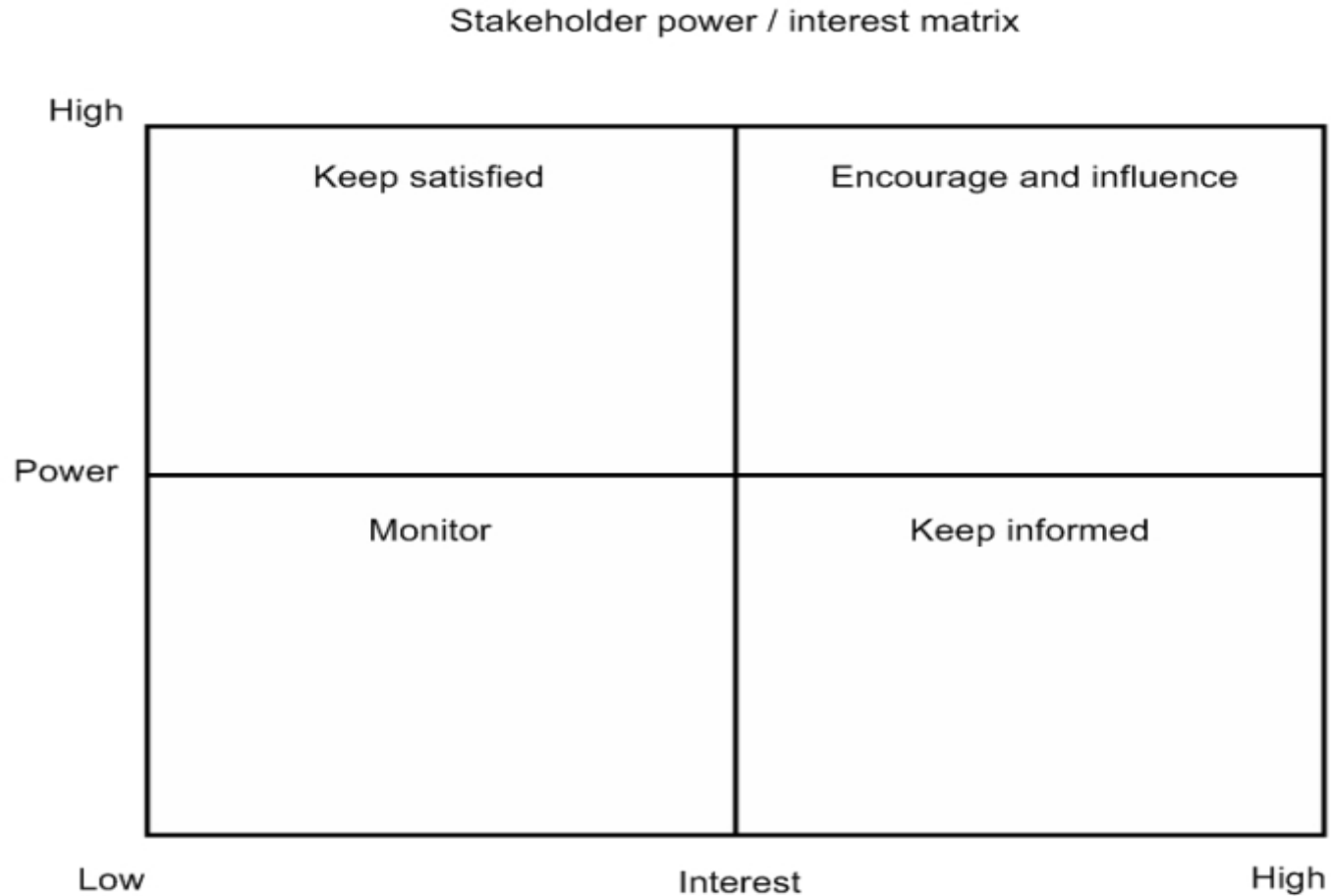- Environmental, political, consumer, and other intervener groups

Figure 2.3 Project Stakeholder Relationships

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.

Managing Stakeholders

Stakeholder power / interest matrix

	Interest	
High Power	Keep satisfied	Encourage and influence
Power	Monitor	Keep informed
Low		**High**

Class Assignment

- Using the list of Stakeholders provided, construct a stakeholders' management matrix

Organizational Structure

Consists of three key elements:

1. Designates formal reporting relationships
   - number of levels in the hierarchy
   - span of control

2. Identifies groupings of
   - individuals into departments
   - departments into the total organization

3. Design of systems to ensure
   - 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

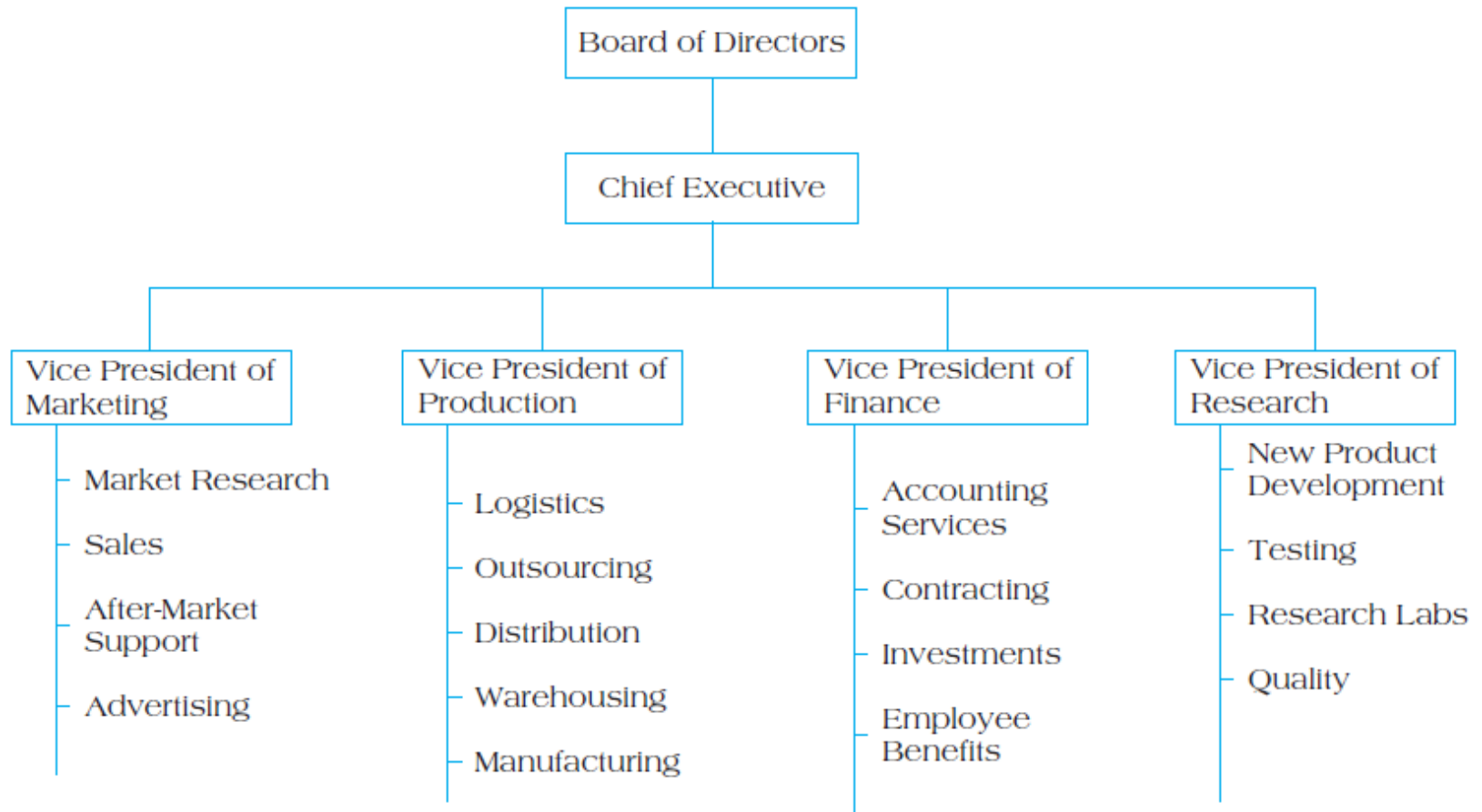# Figure 2.4 Example of a Functional Organizational Structure

Table 2.2 Strengths and Weaknesses of Functional Structures

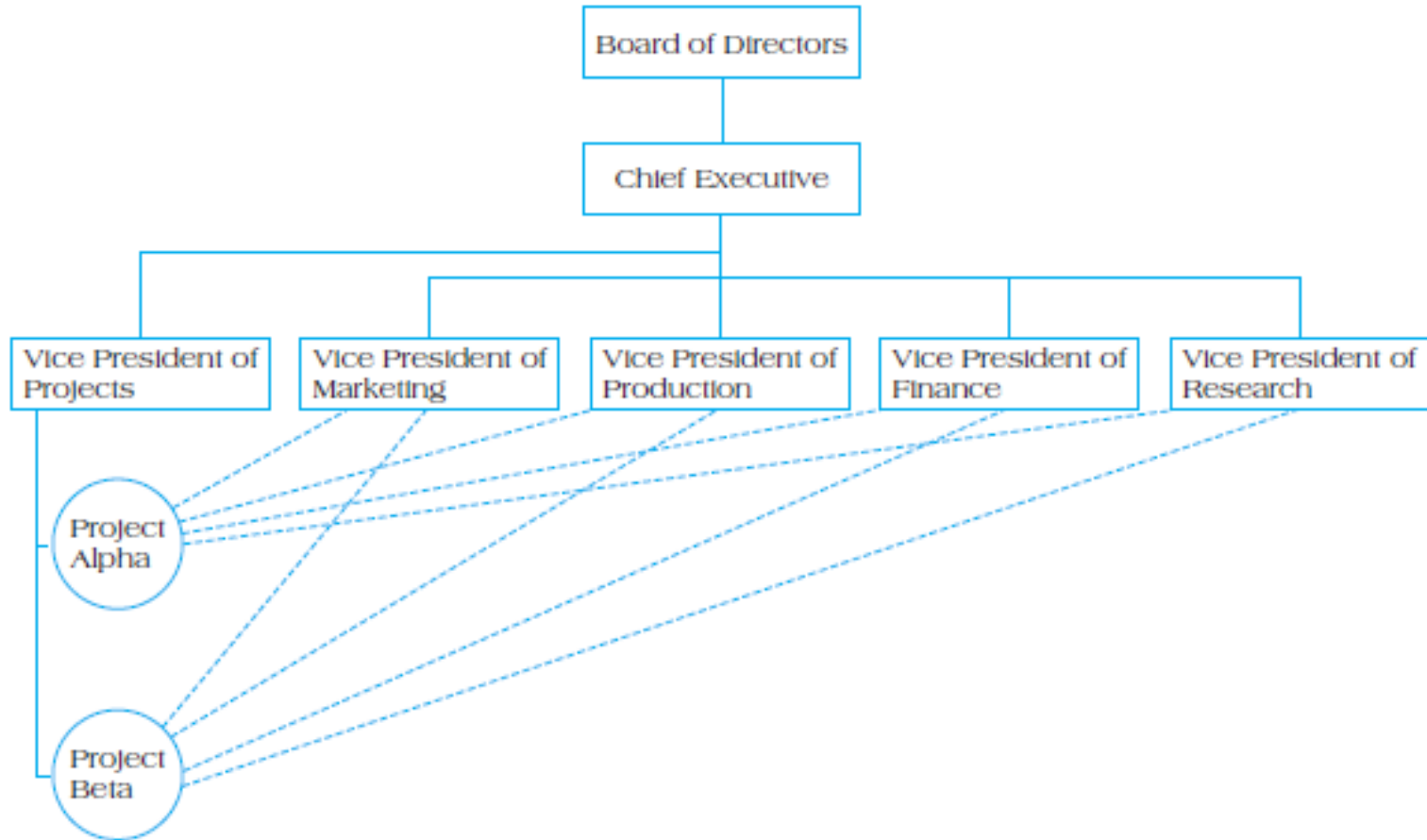| Strengths for Project Management	Weaknesses for Project Management
1. Projects developed within basic functional structure require no disruption or change to firm's design.	1. Functional siloing makes it difficult to achieve cross-functional cooperation.
2. Enables development of in-depth knowledge and intellectual capital.	2. Lack of customer focus.
3. Allows for standard career paths.	3. Longer time to complete projects.
	4. Varying interest or commitment.

Figure 2.6 Example of a Project Organizational Structure

Table 2.3 Strengths and Weaknesses of Project Structures

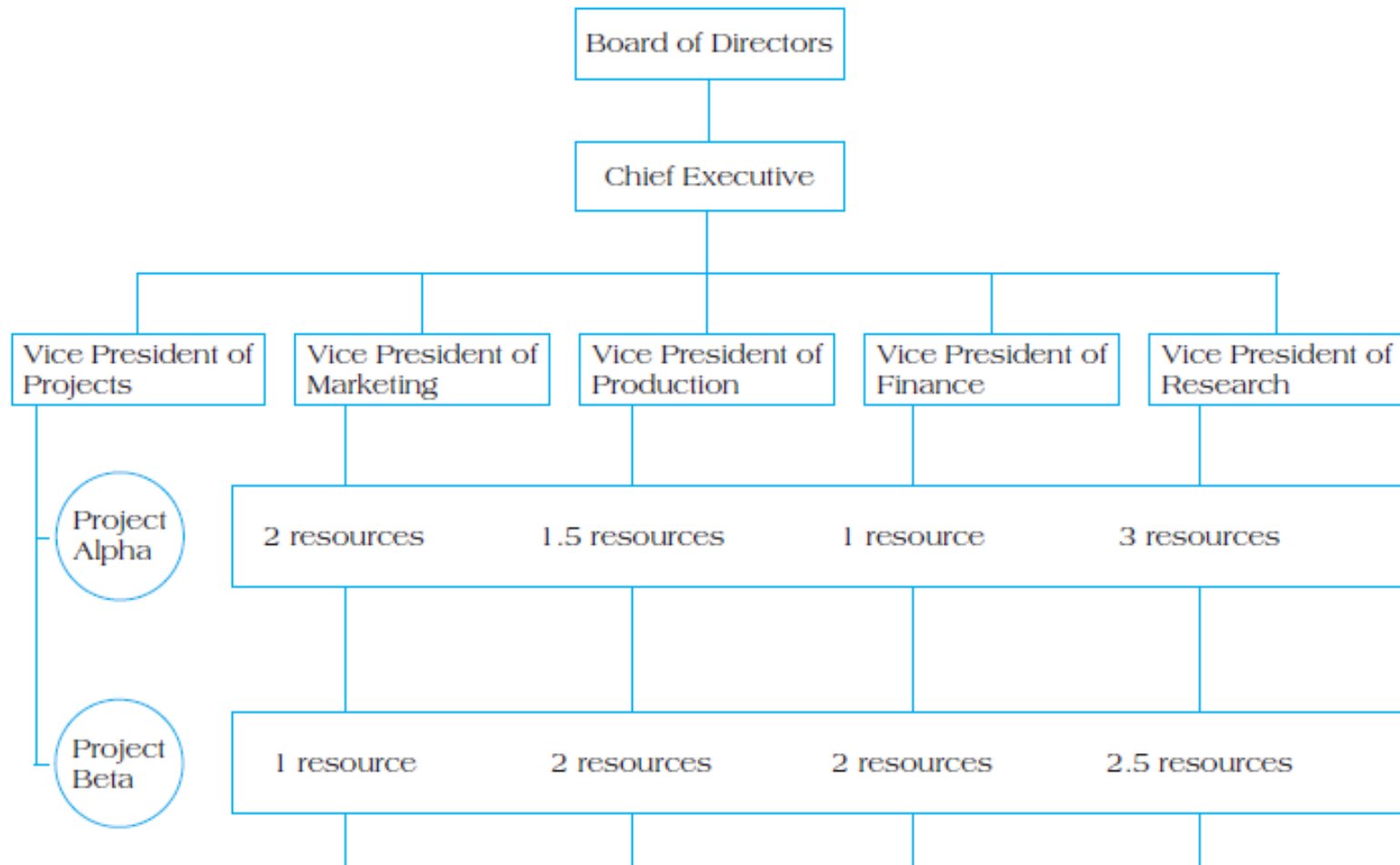| Strengths for Project Management	Weaknesses for Project Management
1. Project manager sole authority	1. Expensive to set up and maintain teams
2. Improved communication	2. Chance of loyalty to the project rather than the firm
3. Effective decision making	3. Difficult to maintain a pooled supply of intellectual capital
4. Creation of project management experts	4. Team member concern about future once project ends
5. Rapid response to market opportunities	

Figure 2.7 Example of a Matrix Organizational Structure

Table 2.4 Strengths and Weaknesses of Matrix Structures

| Strengths for Project Management	Weaknesses for Project Management
1. Suited to dynamic environments	1. Dual hierarchies mean two bosses
2. Equal emphasis on project management and functional efficiency	2. Negotiation required in order to share resources
3. Promotes coordination across functional units	3. Workers caught between competing project and functional demands
4. Maximizes scarce resources	

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

Figure 2.8 Managers' Perceptions of Effectiveness of Various Structures on Project Success
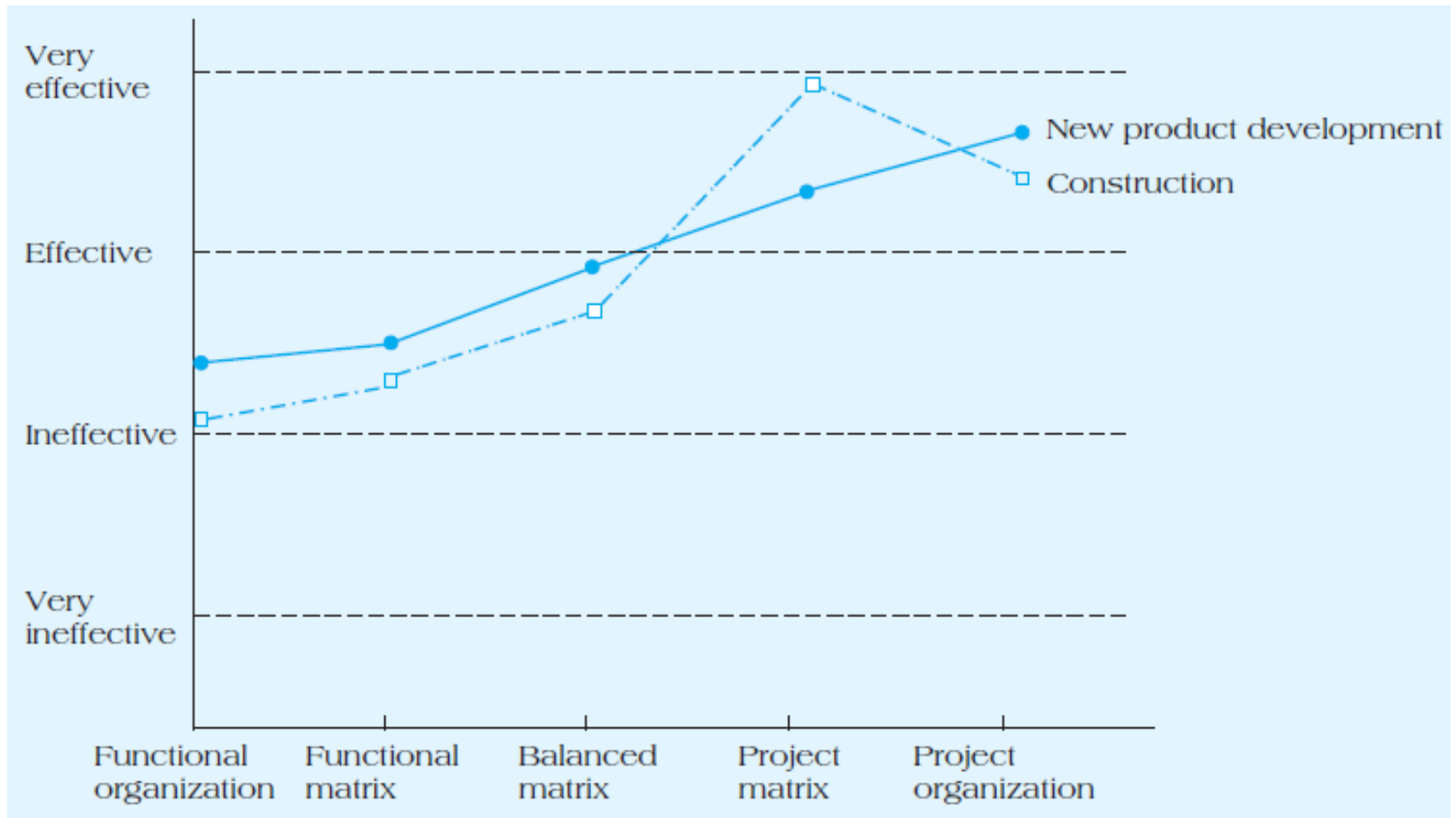
Project Management Offices

Centralized units that oversee or improve the management of projects

Resource centers for:

- Technical details

- Expertise

- Repository

- Center for excellence

Forms of PMOs and Control

Three forms of PMOs, varying with degrees of control and influence include:

- **Supportive**—low control; consultative and provide PM resources and training

- **Controlling**—moderate control; requires compliance to adopted PM standards/processes

- **Directive**—high control; directly manages projects

Models of PMOs

Organizational Culture

- Unwritten

- Rules of behavior

- Held by some subset of the organization

- Taught to all new members

Key Factors That Affect Culture Development

- Technology

- Environment

- Geographical location

- Reward systems

- Rules and procedures

- Key organizational members

- Critical incidents

Organizational Culture: Effects on Project Management

- Departmental interaction

- Employee commitment to goals

- Project planning

- Performance evaluation

Thank You