

CHAPTER THREE

3 Organization: Structure and Culture

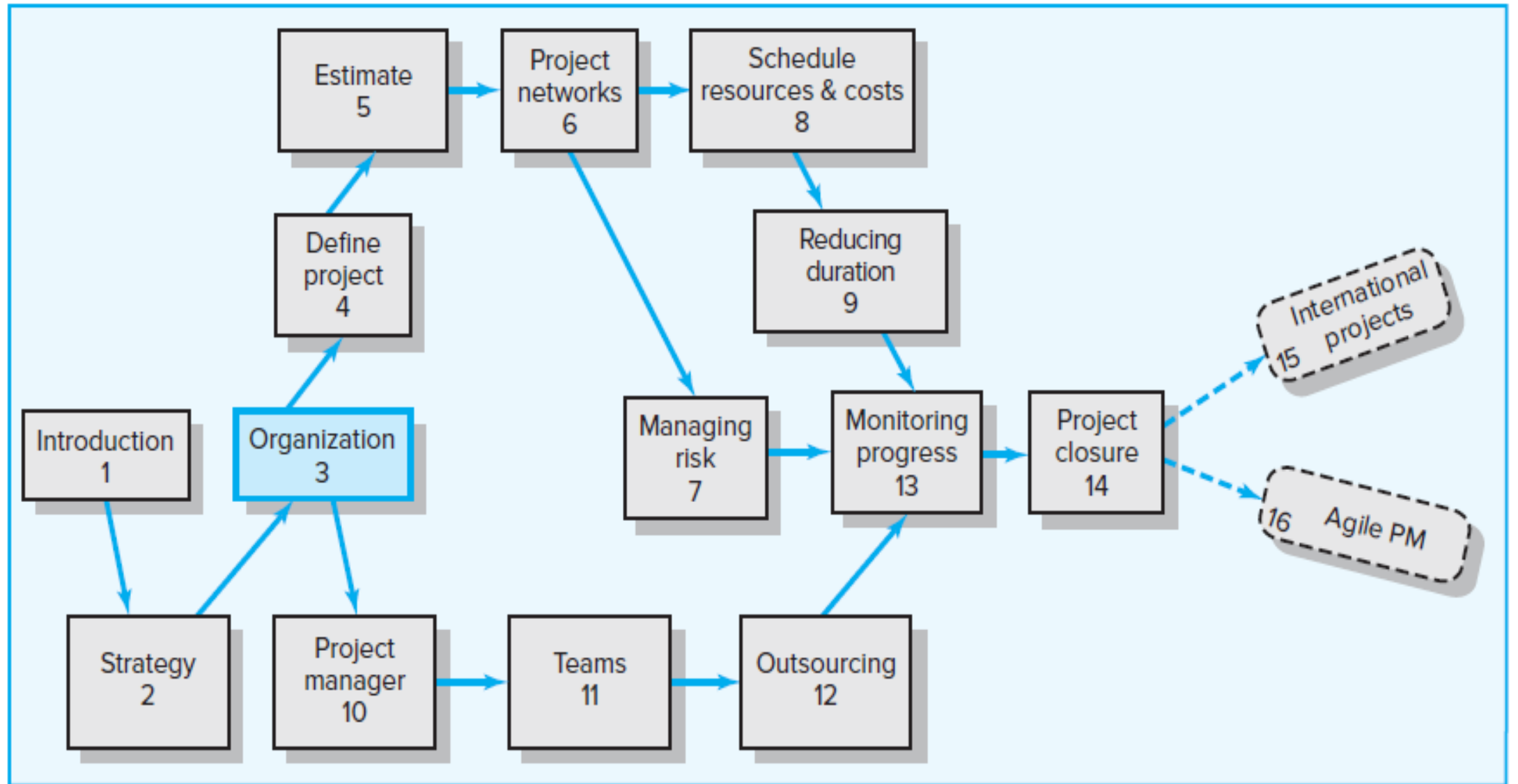
Chapter 3: The "Rules of the Game"

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**// "A project manager's worst nightmare:
You have all the responsibility for the
project's success, but none of the
authority."**

— Common PM

Proverb

This chapter is about **why** that nightmare happens. Your success as a PM is determined by the organization's ****Structure**** (the "bones") and its ****Culture**** (the "bloodstream").

Chapter 3: Learning Objectives



LO 3.1: Explain how organizational *structure* impacts projects.



LO 3.2: Compare and contrast the three major org structures.



LO 3.3: Differentiate between weak, balanced, and strong matrix orgs.



LO 3.4: Define organizational *culture* and explain its impact on projects.

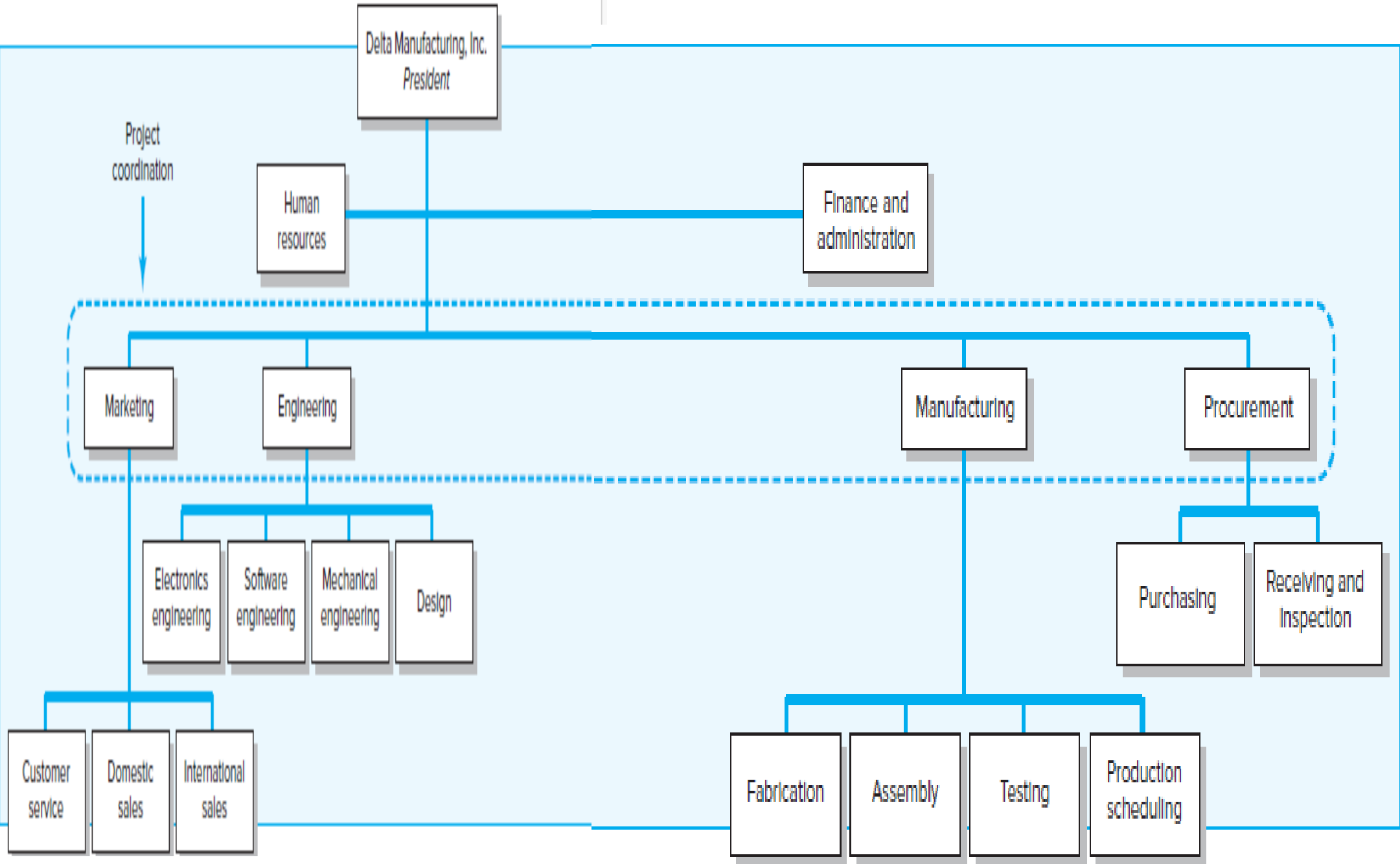


LO 3.5: Describe the functions and types of a Project Management Office (PMO).



The "Bones": Organizational Structure

FIGURE 3.1
Functional
Organizations

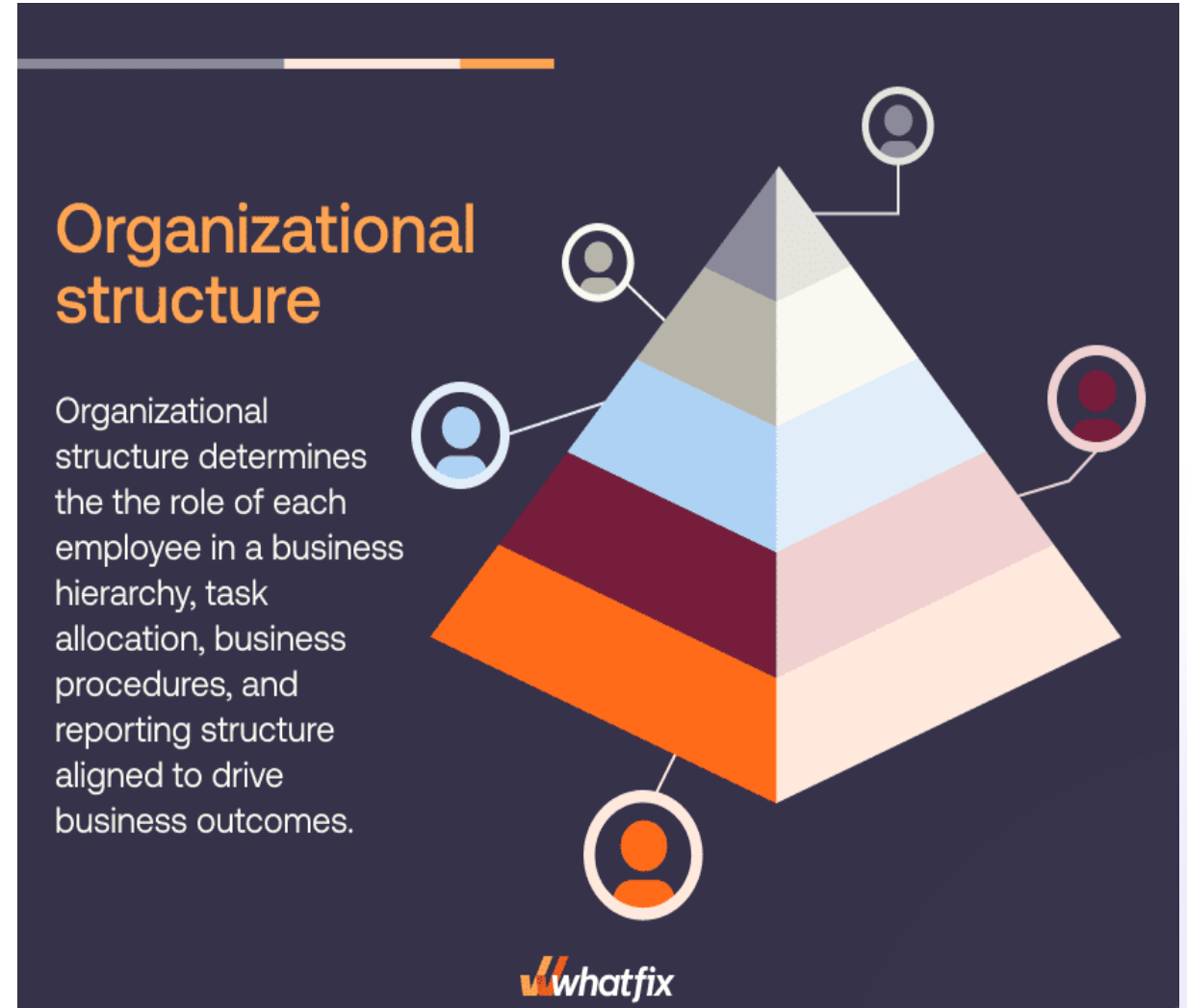


What is Organizational Structure? (LO 3.1)

It's the "org chart." It defines the formal reporting relationships.

More importantly, it dictates:

- Who has the ****authority**** to make decisions?
- How will ****communication**** flow? (Up, down, sideways)
- Who controls the ****resources**** (people, money) you need?
- Whose ****job**** is it to manage the project?



Just as there are advantages for organizing projects within the existing functional organization, there are also disadvantages. These disadvantages are particularly pronounced when the scope of the project is broad and one functional department does not take the dominant technological and managerial lead on the project:

1. Lack of Focus. Each functional unit has its own core routine work to do; sometimes project responsibilities get pushed aside to meet primary obligations. This difficulty is compounded when the project has different priorities for different units. For example, the marketing department may consider the project urgent while the operations people consider it only of secondary importance. Imagine the tension if the marketing people have to wait for the operations people to complete their segment of the project before they proceed.

2. Poor Integration. There may be poor integration across functional units. Functional specialists tend to be concerned only with their segment of the project and not with what is best for the total project.

3. Slow. It generally takes longer to complete projects through this functional arrangement.

This is in part attributable to slow response time—project information and decisions have to be circulated through normal management channels. Furthermore,

the lack of horizontal, direct communication among functional groups contributes to rework as specialists realize the implications of others' actions after the fact.

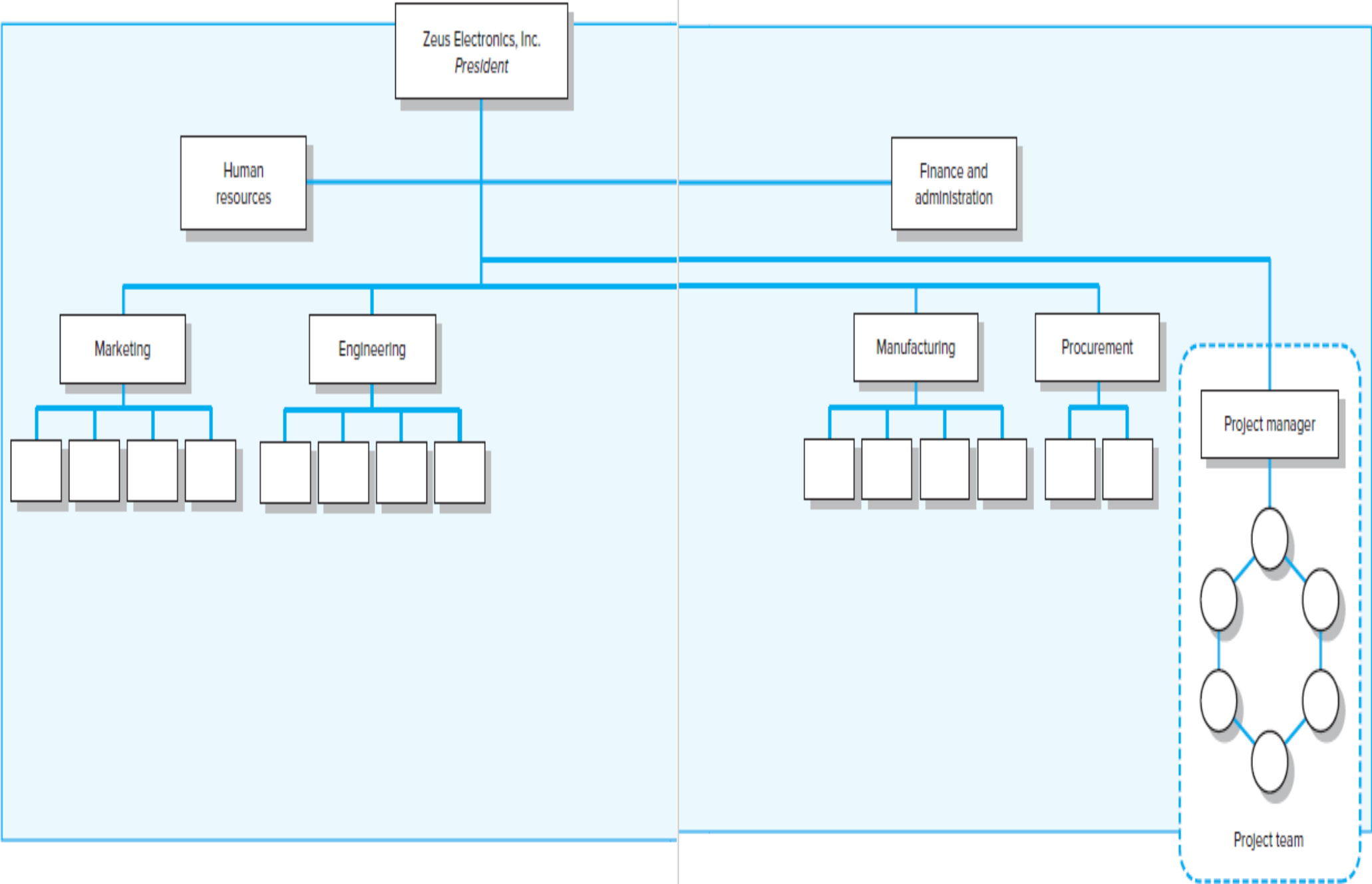
4. Lack of Ownership. The motivation of people assigned to the project can be weak. The project may be seen as an additional burden that is not directly linked to their professional development or advancement. Furthermore, because they are working on only a segment of the project, professionals do not identify with the project.

There are advantages and disadvantages for using the existing functional organization to administer and complete projects (Larson, 2004). The major advantages are the following:

1. **No Change.** Projects are completed within the basic functional structure of the parent organization. There is no radical alteration in the design and operation of the parent organization.
2. **Flexibility.** There is maximum flexibility in the use of staff. Appropriate specialists in different functional units can temporarily be assigned to work on the project and then return to their normal work. With a broad base of technical personnel available within each functional department, people can be switched among different projects with relative ease.
3. **In-Depth Expertise.** If the scope of the project is narrow and the proper functional unit is assigned primary responsibility, then in-depth expertise can be brought to bear on the most crucial aspects of the project.
4. **Easy Post-Project Transition.** Normal career paths within a functional division are maintained. While specialists can make significant contributions to projects, their functional field is their professional home and the focus of their professional growth and advancement.

Just as there are advantages for organizing

FIGURE 3.2
Dedicated Project
Team



The Three Main Structures (LO 3.2)



1. Functional

Organized by departments (e.g., Marketing, Engineering). The "traditional" model.



2. Projectized

Organized by projects. The "modern" model for project-heavy companies.



3. Matrix

A hybrid of both. The most common (and most complex) model.

Structure 1: Functional Organization

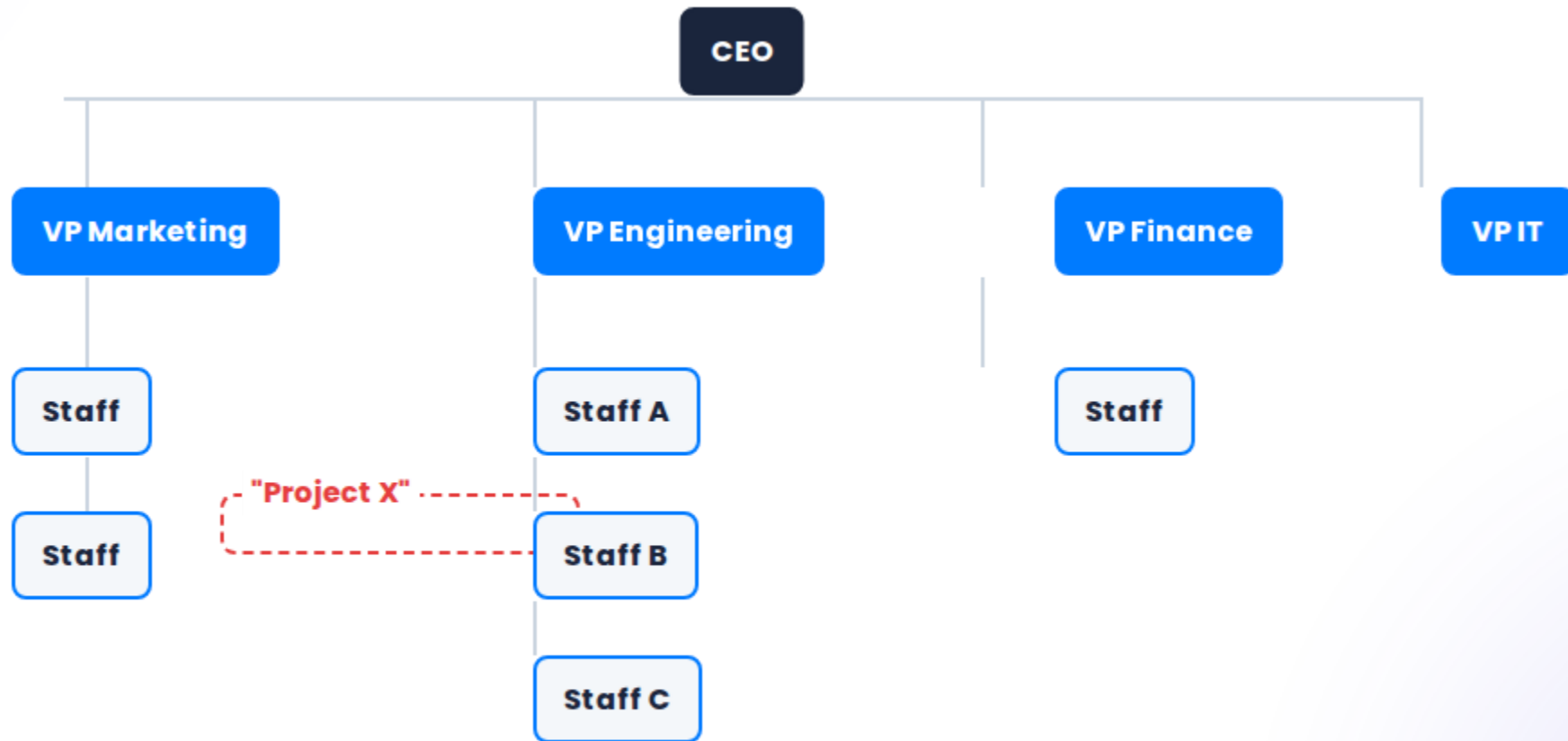


The "Silo" Structure

The organization is grouped by areas of specialization (e.g., Engineering, Marketing, Finance).

Projects are typically run **inside** a single department. There is no "Project Manager" role; the Functional Manager (e.g., Director of Engineering) runs the project.

Figure 3.1: Functional Organization Chart



Functional Structure: Pros & Cons

+Pros

- Deep functional expertise.
- Clear career path for specialists.
- Resources are efficiently used within the silo.
- Good for stable, repetitive work.

-Cons for Projects

- **"No one cares about the project."** (Loyalty is to the *department*).
- **Slow communication** (requests must go "up the silo").
- **No single point of authority** for the project.
- Projects take a back seat to functional (operational) work.

Structure 2: Projectized Organization

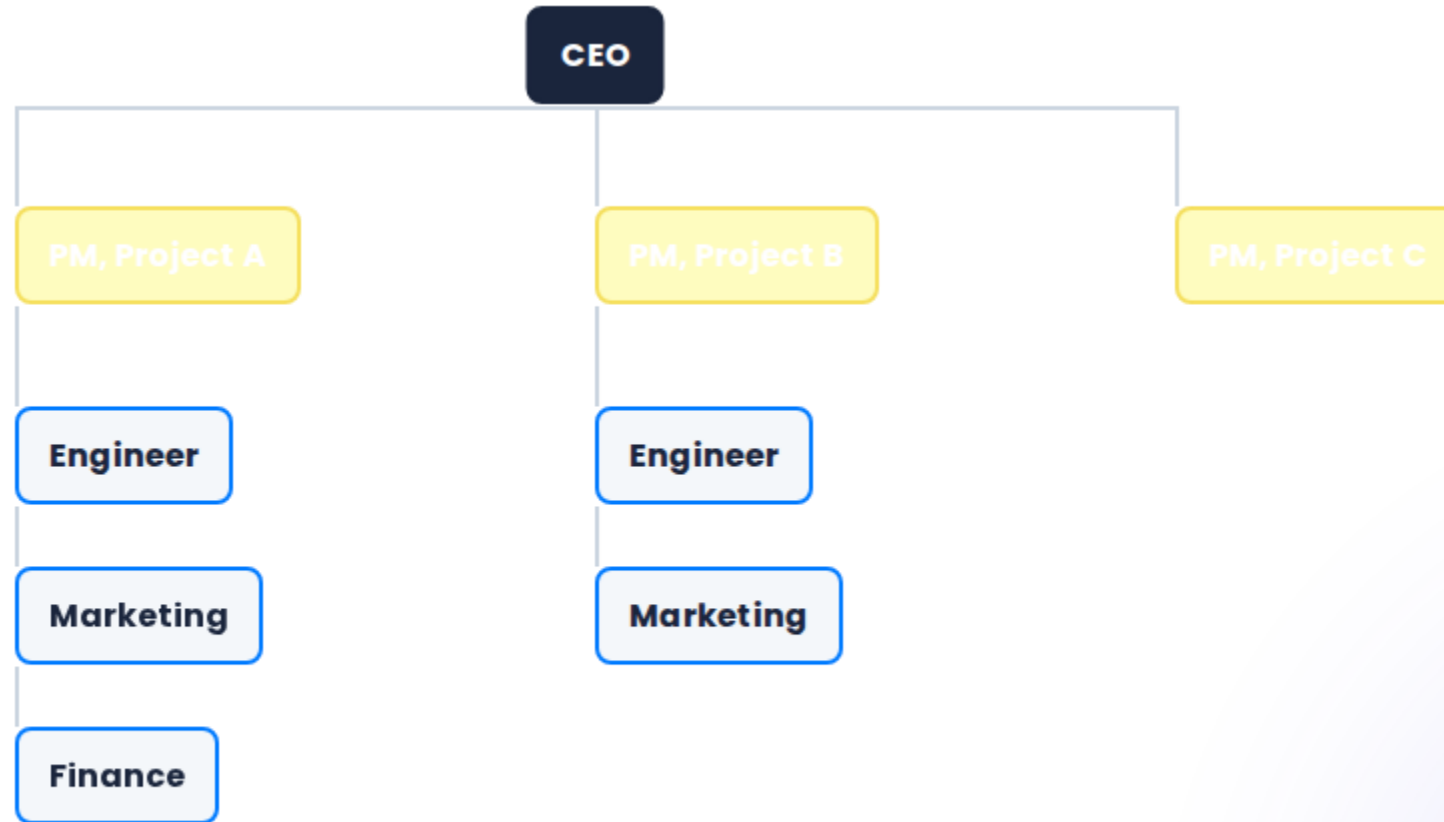


The "Project" Structure

The organization is grouped by *projects* or programs.

The **Project Manager has total authority**. All team members (engineers, marketers, etc.) report *directly* to the PM. Common in construction, defense, and consulting.

Figure 3.2: Projectized Organization Chart



Projectized Structure: Pros & Cons

+Pros for Projects

- **PM has full authority** (the "boss").
- **Strong project loyalty** and team identity.
- **Fast communication** and decision-making.
- Very effective for large, complex, time-sensitive projects.

-Cons

- **"What's next?"** No "home" for team members after the project.
- **Inefficient:** Can lead to resource duplication (e.g., 3 projects, 3 separate marketing teams).
- Can be hard to share lessons or expertise between projects.

TABLE 3.1**Division of Project Manager and Functional Manager Responsibilities in a Matrix Structure**

Project Manager	Negotiated Issues	Functional Manager
What has to be done?	Who will do the task?	How will it be done?
When should the task be done?	Where will the task be done?	
How much money is available to do the task?	Why will the task be done?	How will the project involvement impact normal functional activities?
How well has the total project been done?	Is the task satisfactorily completed?	How well has the functional input been integrated?

Structure 3: Matrix Organization



The "Hybrid" Structure

The most common modern structure. It's a blend of Functional and Projectized.

Resources (people) are "borrowed" from Functional departments to work on projects led by a Project Manager.

The Core Conflict: The "Two Bosses"

In a matrix, a team member (e.g., an engineer) reports to two different managers:

- 1 **Functional Manager (e.g., Dir. of Engineering)**
 - ○ Manages their career, training, salary.
 - Answers: **"How* do I do my work?"**
- 2 **Project Manager**
 - ○ Manages their project tasks, schedule.
 - Answers: **"What* work do I do?"**

This creates a natural (and necessary) tension.

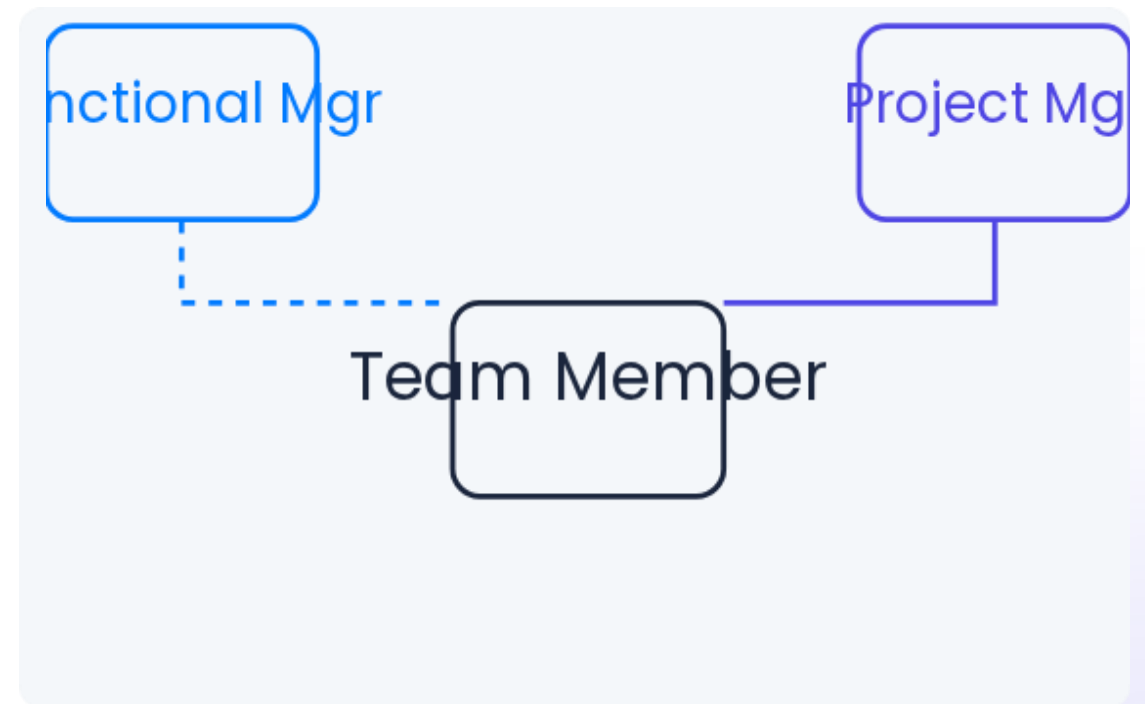


Figure 3.3: The Matrix Spectrum (LO 3.3)



Weak Matrix

The PM is a "Project Coordinator."
They have **no** authority and only chase paperwork. The Functional Manager has all the power. (This is bad for projects).



Balanced Matrix

The PM and Functional Manager
"share" the team and the authority. This requires a **lot** of communication and a good relationship to work.



Strong Matrix

The PM has **more** power than the Functional Manager. The PM controls the budget, schedule, and tasks. This is the best for PMs.

FIGURE 3.4
Matrix Organization
Structure

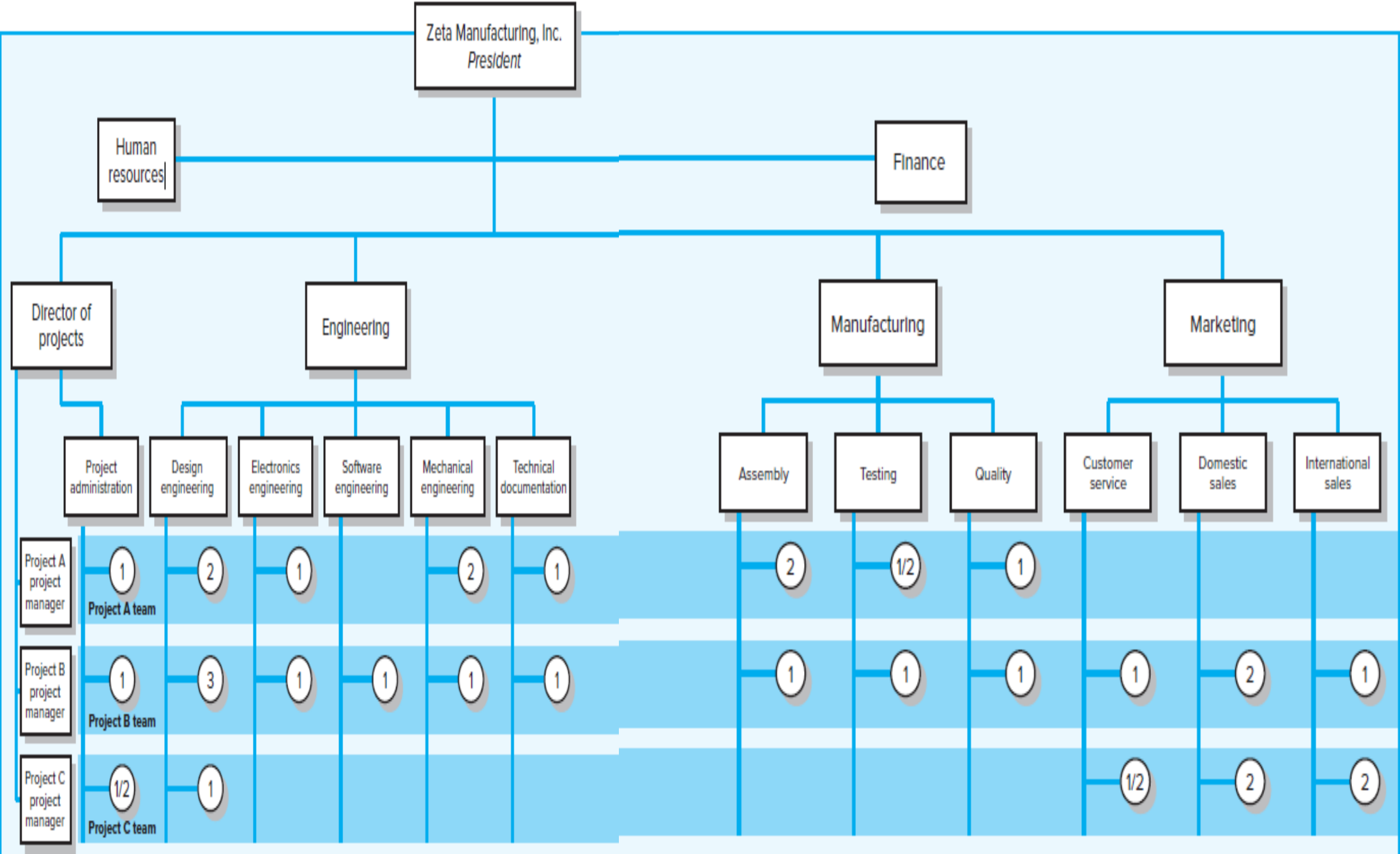


Figure 3.4: Comparison of Structures

Feature	Functional	Matrix (Balanced)	Projectized
PM Authority	Very Low ("Coordinator")	Medium (Shared)	High / Total ("Boss")
PM's Role	Part-time (on top of day job)	Full-time	Full-time
Resource Control	Functional Manager	Shared / Mixed	Project Manager
Team Loyalty	To the Department	Split (Two Bosses)	To the Project
Pro	Deep Expertise	Efficient, Flexible	Fast, PM has authority
Con	Slow, "Who Cares?"	"Two Bosses," Complex	Inefficient, "No Home"

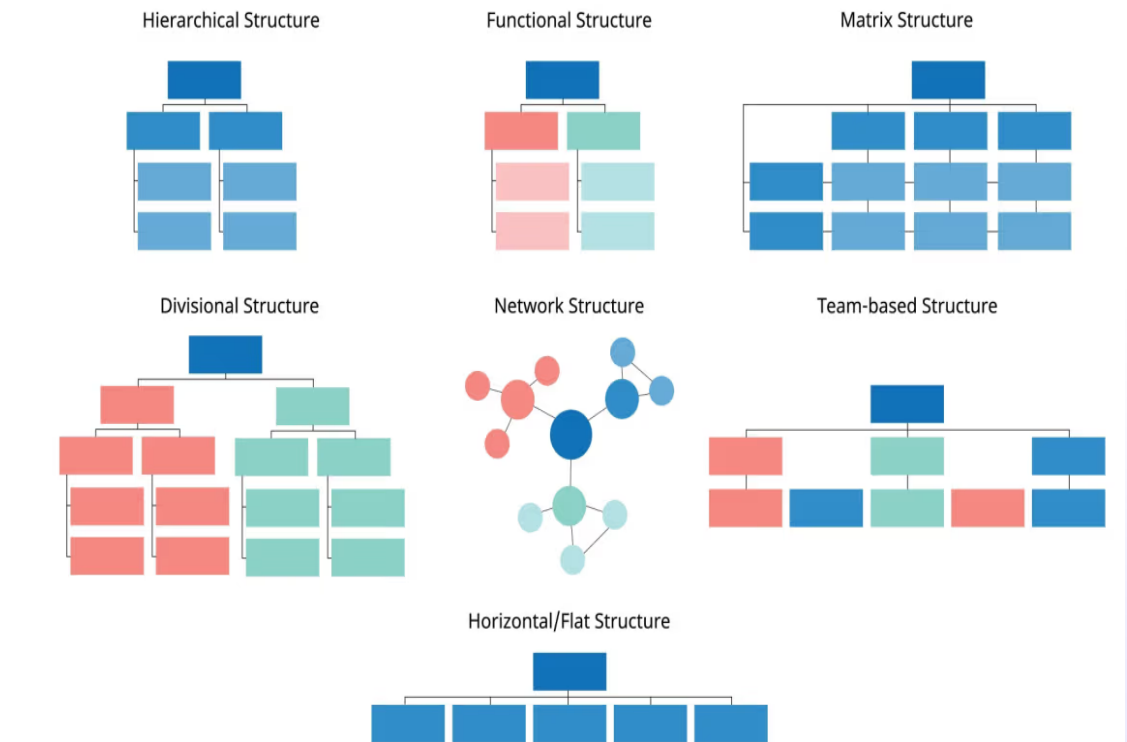
Choosing the Right Structure

There is no single "best" structure.

The right structure depends on the organization's goals.

- If your main goal is **efficiency** and **deep technical expertise** (e.g., a university, a hospital), a **Functional** structure is best.
- If your main goal is **speed** and **project success** (e.g., a defense contractor, a construction firm), a **Projectized** structure is best.
- Most companies need **both**, which is why they choose a **Matrix**.

Types of organizational structures





The "Bloodstream": Organizational Culture

What is Organizational Culture? (LO 3.4)



"The way we do things around here."

— A simple, powerful

definition

Culture is the shared set of values, beliefs, and assumptions that guide behavior. It's the "personality" of the company. It is the *unwritten rules*.

****Structure is easy to change. Culture is not.****

FIGURE 3.5

**Key Dimensions
Defining an
Organization's
Culture**

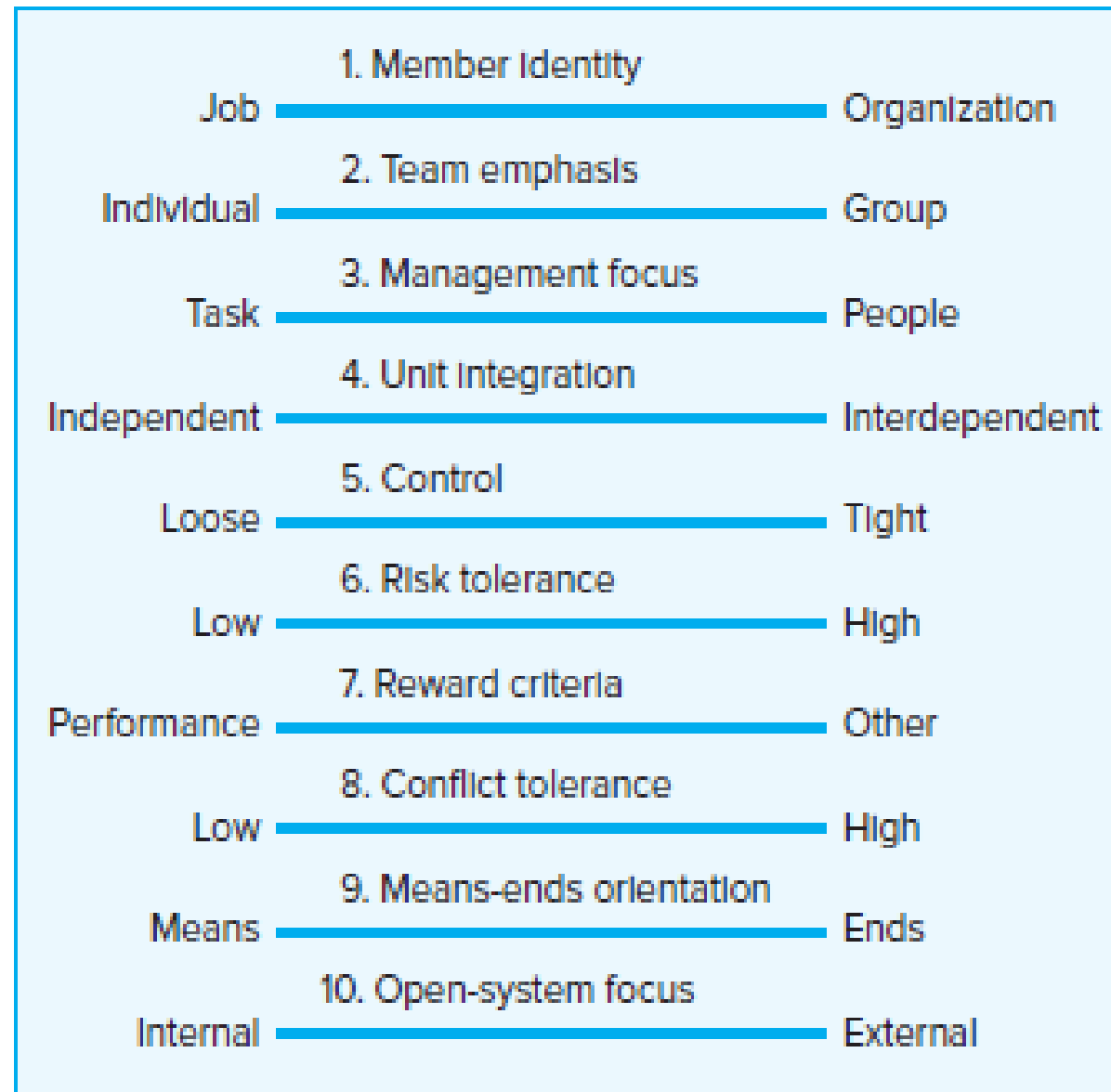
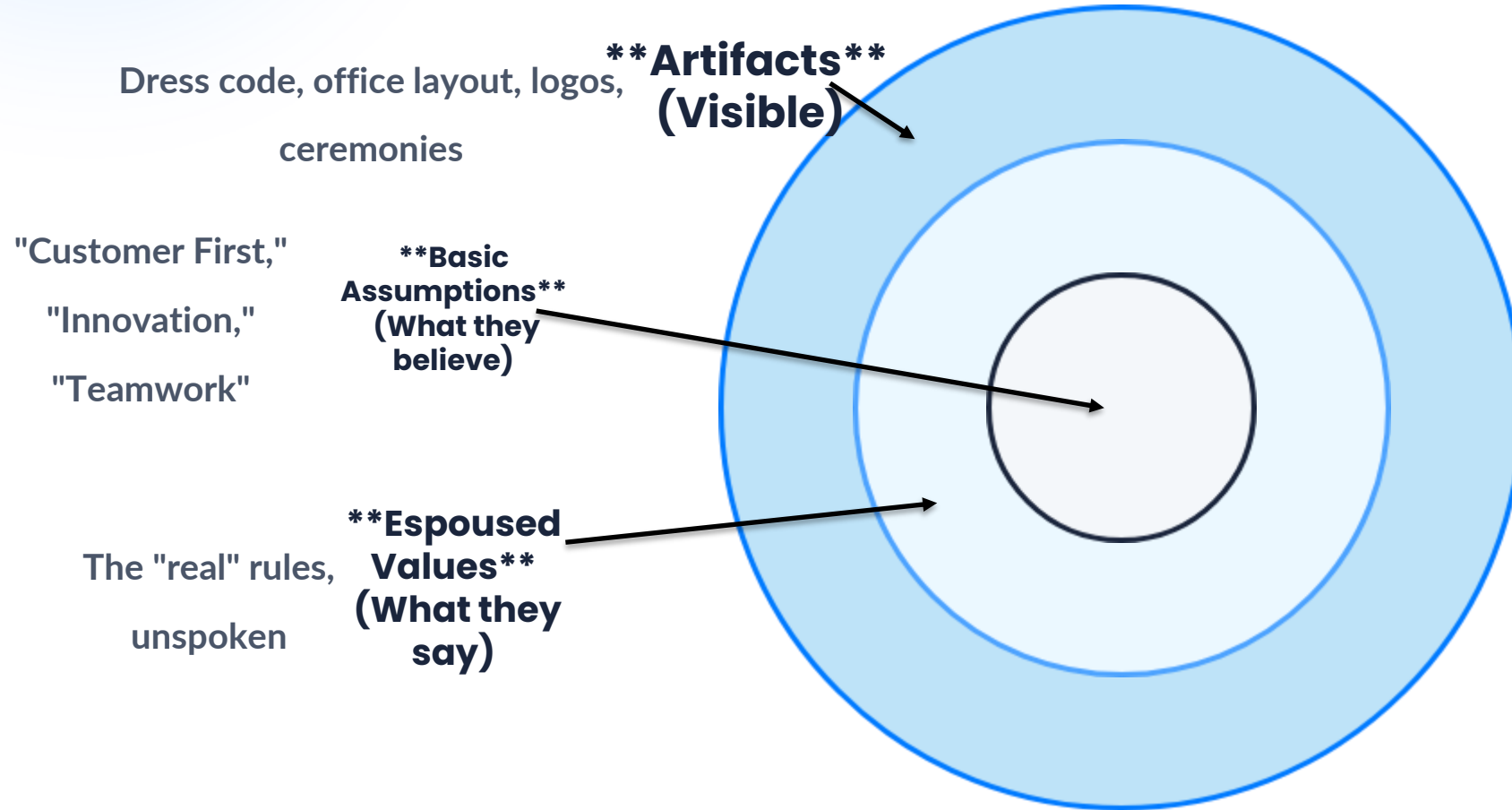


Figure 3.5: The Levels of Culture



Culture: What You See vs. What You Get

The "Espoused Value"

(What the poster on the wall says)

"We are a family!"

"Innovation means taking risks!"

The "Basic Assumption"

(What actually happens)

The first person to miss a sales target gets fired.

The first person whose project fails gets demoted.

How Culture Impacts Your Project

A PM must "read the culture" to survive. Ask these questions:

 How are decisions **really** made? (Data, consensus, or just the boss's opinion?)

 How is bad news handled? (Is it shared openly or buried until it's too late?)

What is the attitude toward failure? (A learning experience or a career-ending event?)

 What is **really** more important? (Hitting the deadline or getting the quality right?)

FIGURE 3.7

**Cultural Dimensions
of an Organization
Supportive of Project
Management**



Snapshot 3.1: Culture in Action

3M: "15% Time"

3M's culture famously allows employees to spend 15% of their time on personal projects. This is a *cultural assumption* that "innovation and tinkering are good."

Result: This culture created "Oyster" projects like Post-it Notes and Scotch-gard.

A Typical Bank

A bank's culture is built on risk avoidance, stability, and security. Their "Basic Assumption" is "don't lose the money."

Result: This culture creates "Bread and Butter" projects that are safe, predictable, and efficient.

The "System": The Project Management Office

What is a PMO? (LO 3.5)



Project Management Office (PMO)

A centralized organizational unit created to improve the management of projects.

It acts as the central "hub" for project management, standardizing the processes, tools, and templates that all PMs use.

Figure 3.6: Types of PMOs (Level of Control)



1. Supportive

The "Librarian." Provides templates, training, and best practices. Acts as a consultant.

****(Low Control)****



2. Controlling

The "Police." Requires compliance. Audits projects to ensure they follow templates and standards.

****(Medium Control)****



3. Directive

The "Manager." Takes control. Provides the Project Managers *to* the projects and directly manages them. ****(High Control)****

What Does a PMO Do?



Develops and standardizes PM methodologies, templates, and tools.



Provides training and mentorship to Project Managers.



Provides a high-level view of all projects (Portfolio Management).



Manages the shared resource pool (resource allocation).



Monitors performance and provides reports to executives.

Chapter 3: Summary

- ✓ LO 3.1 (Structure): Your org structure dictates your authority, resources, and communication flow.
- ✓ LO 3.2 (Compare): **Functional** is built for expertise. **Projectized** is built for project speed.
- ✓ LO 3.3 (Matrix): **Most orgs are a Matrix**. A **Strong Matrix** gives the PM more authority.
- ✓ LO 3.4 (Culture): **Culture is the "unwritten rules."** It has a **massive** impact on how projects are (or aren't) successful.
- ✓ LO 3.5 (PMO): **A PMO** is a central unit that standardizes and improves project management across the company.

Discussion Question 1

If you were a new Project Manager, would you rather work in a Strong Matrix or a fully Projectized organization?

What are the tradeoffs for your career?

Discussion Question 2

Which has a bigger impact on a project's success: the ***Structure*** or the ***Culture***?

Can a good PM succeed in a "bad" culture? Can a "good" culture save a "bad" structure?

Exercises

- Going to college is analogous to working in a matrix environment in that most students take more than one class and must distribute their time across multiple classes. What problems does this situation create for you? How does it affect your performance? How could the system be better managed to make your life less difficult and more productive?

Questions?