

Project Management



Teams

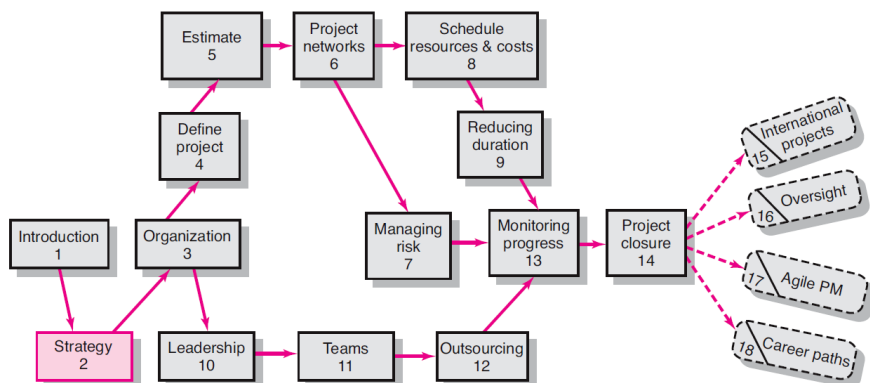
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Organization Strategy & Project Selection



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Where We Are Now



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Why Project Managers Need to Understand Strategy

- Changes in the organization's mission and strategy
 - Project managers must respond to changes with appropriate decisions about future projects and adjustments to current projects.
 - Project managers who understand their organization's strategy can become effective advocates of projects aligned with the firm's mission.

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Projects and Strategy

- Mistakes caused by not understanding the role of projects in accomplishing strategy:
 - Focusing on problems or solutions with low strategic priority.
 - Focusing on the immediate customer rather than the whole market place and value chain.
 - Overemphasizing technology that results in projects that pursue exotic technology that does not fit the strategy or customer need
 - Trying to solve customer issues with a product or service rather than focusing on the 20% with 80% of the value (Pareto's Law).
 - Engaging in a never-ending search for perfection only the project team really cares about.

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The Strategic Management Process: An Overview

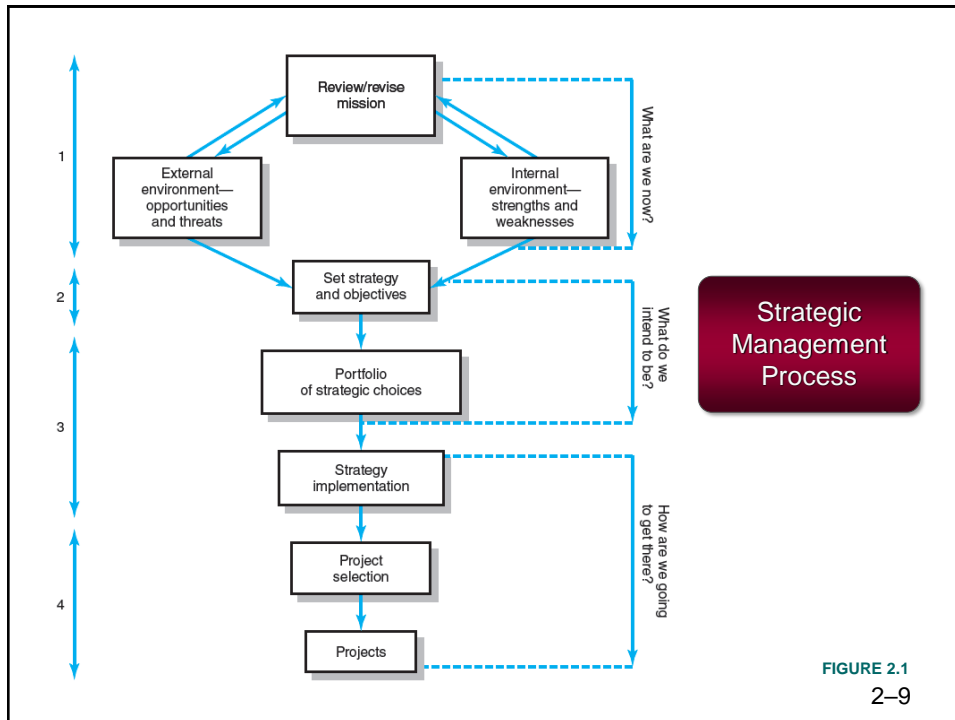
- Strategic Management
 - Requires every project to be clearly linked to strategy.
 - Provides theme and focus of firm's future direction.
 - **Responding to changes** in the external environment—environmental scanning
 - **Allocating scarce resources** of the firm to improve its competitive position—internal responses to new programs
 - Requires strong links among mission, goals, objectives, strategy, and implementation.

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Four Activities of the Strategic Management Process

- Review and define the organizational mission.
- Set long-range goals and objectives.
- Analyze and formulate strategies to reach objectives.
- Implement strategies through projects

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Characteristics of Objectives

- S Specific** Be specific in targeting an objective
- M Measurable** Establish a measurable indicator(s) of progress
- A Assignable** Make the objective assignable to one person for completion
- R Realistic** State what can realistically be done with available resources
- T Time related** State when the objective can be achieved, that is, duration

EXHIBIT 2.1
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Project Portfolio Management: The Need for a Strong Project Priority System

- The Implementation Gap
 - The lack of understanding and consensus on strategy among top management and middle-level (functional) managers who independently implement the strategy.
- Organization Politics
 - Project selection is based on the persuasiveness and power of people advocating the projects.
- Resource Conflicts and Multitasking
 - Multiproject environment creates interdependency relationships of shared resources which results in the starting, stopping, and restarting projects.

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Benefits of Project Portfolio Management

- Builds discipline into the project selection process.
- Links project selection to strategic metrics.
- Prioritizes project proposals across a common set of criteria, rather than on politics or emotion.
- Allocates resources to projects that align with strategic direction.
- Balances risk across all projects.
- Justifies killing projects that do not support strategy.
- Improves communication and supports agreement on project goals.

EXHIBIT 2.2
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A Portfolio Management System

- Design of a project portfolio system:
 - Classification of a project
 - Selection criteria depending upon classification
 - Sources of proposals
 - Evaluating proposals
 - Managing the portfolio of projects.

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Portfolio of Projects by Type

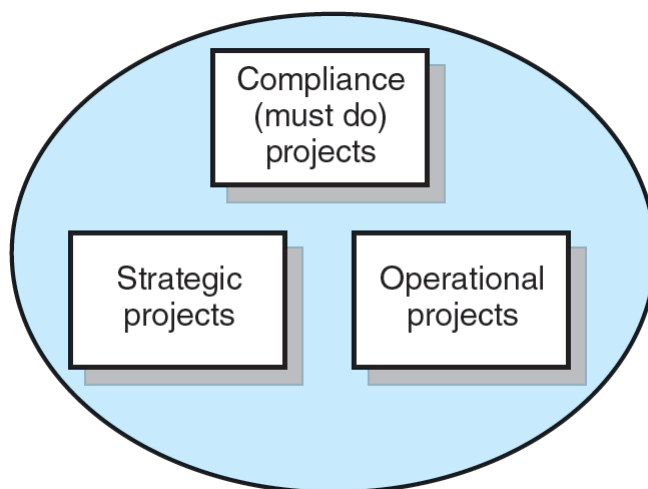


FIGURE 2.2
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A Portfolio Management System

- Selection Criteria
 - **Financial models:** payback, net present value (NPV)
 - **Non-financial models:** projects of strategic importance to the firm.
- Multi-Weighted Scoring Models
 - Use several weighted selection criteria to evaluate project proposals.

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Nonfinancial Strategic Criteria

- To capture larger market share
- To make it difficult for competitors to enter the market
- To develop an enabler product, which by its introduction will increase sales in more profitable products
- To develop core technology that will be used in next-generation products
- To reduce dependency on unreliable suppliers
- To prevent government intervention and regulation
- To restore corporate image or enhance brand recognition
- To demonstrate its commitment to corporate citizenship and support for community development.

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Multi-Criteria Selection Models

- Checklist Model

- Uses a list of questions to review potential projects and to determine their acceptance or rejection.
- Fails to answer the relative importance or value of a potential project and doesn't allow for comparison with other potential projects.

- Multi-Weighted Scoring Model

- Uses several weighted qualitative and/or quantitative selection criteria to evaluate project proposals.
- Allows for comparison of projects with other potential projects

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Project Screening Matrix

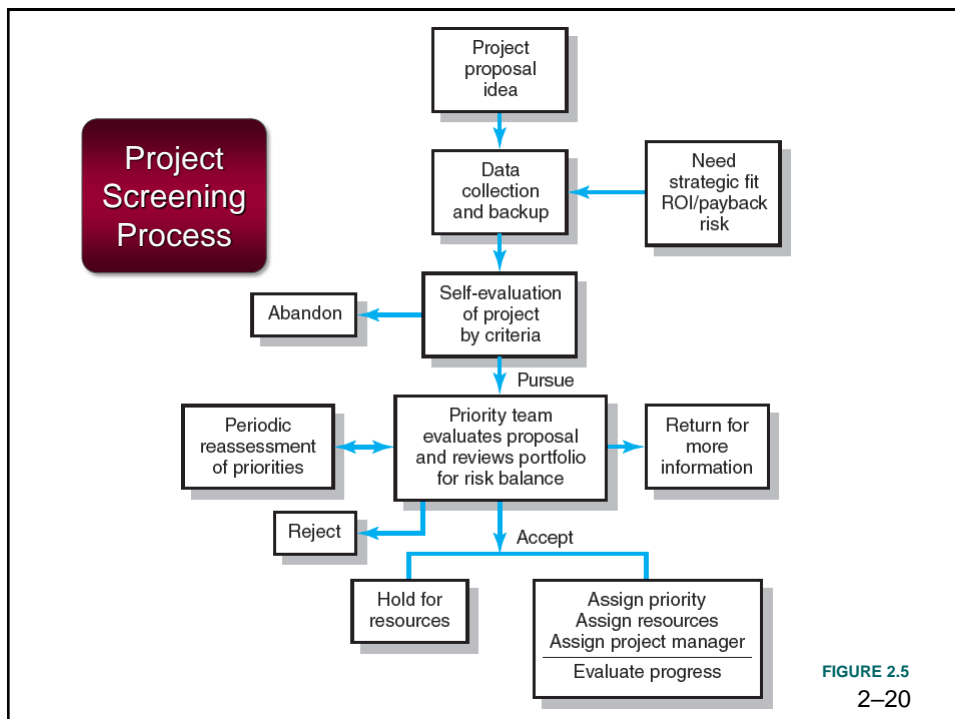
Criteria Weight	Stay within core competencies	Strategic fit	Urgency	25% of sales from new products	Reduce defects to less than 1%	Improve customer loyalty	ROI of 18% plus	Weighted total
	2.0	3.0	2.0	2.5	1.0	1.0	3.0	
Project 1	1	8	2	6	0	6	5	66
Project 2	3	3	2	0	0	5	1	27
Project 3	9	5	2	0	2	2	5	56
Project 4	3	0	10	0	0	6	0	32
Project 5	1	10	5	10	0	8	9	102
Project 6	6	5	0	2	0	2	7	55
⋮								
Project n	5	5	7	0	10	10	8	83

FIGURE 2.3
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Applying a Selection Model

- Project Classification
 - Deciding how well a strategic or operations project fits the organization's strategy.
- Selecting a Model
 - Applying a weighted scoring model to align projects closer with the organization's strategic goals.
 - Reduces the number of wasteful projects
 - Helps identify proper goals for projects
 - Helps everyone involved understand how and why a project is selected

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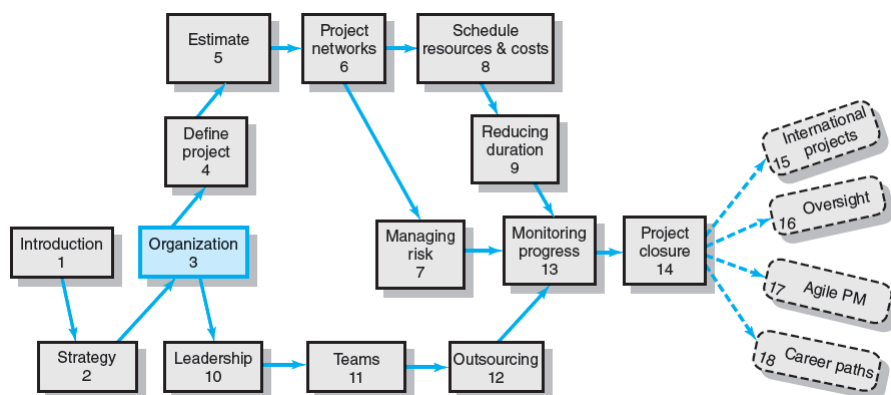


Organization Strategy & Culture



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Where We Are Now



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Project Management Structures

- Challenges to Organizing Projects
 - The uniqueness and short duration of projects relative to ongoing longer-term organizational activities
 - The multidisciplinary and cross-functional nature of projects creates authority and responsibility dilemmas.
- Choosing an Appropriate Project Management Structure
 - The best system balances the needs of the project with the needs of the organization.



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Functional Organizations

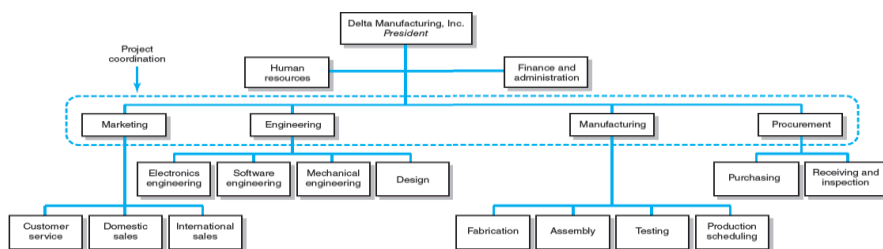


FIGURE 3.1
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Project Management Structures (cont'd)

- **Organizing Projects: Functional organization**
 - Different segments of the project are delegated to respective functional units.
 - Coordination is maintained through normal management channels.
 - Used when the interest of one functional area dominates the project or one functional area has a dominant interest in the project's success.

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Functional Organization of Projects

• **Advantages**

1. **No structural change**
2. **Flexibility**
3. **In-depth expertise**
4. **Easy post-project transition**

• **Disadvantages**

1. **Lack of focus**
2. **Poor integration**
3. **Slow**
4. **Lack of ownership**

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Dedicated Project Team

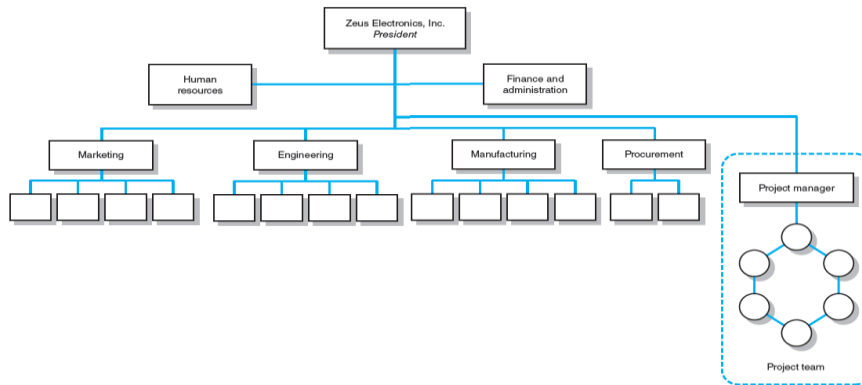


FIGURE 3.2
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Project Management Structures (cont'd)

- Organizing Projects: Dedicated Teams
 - Teams operate as separate units under the leadership of a full-time project manager.
 - In a **projectized** organization where projects are the dominant form of business, functional departments are responsible for providing support for its teams.

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Project Organization: Dedicated Team

• Advantages

1. Simple
2. Fast
3. Cohesive
4. Cross-Functional Integration

• Disadvantages

1. Expensive
2. Internal Strife
3. Limited Technological Expertise
4. Difficult Post-Project Transition

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Projectized Organizational Structure

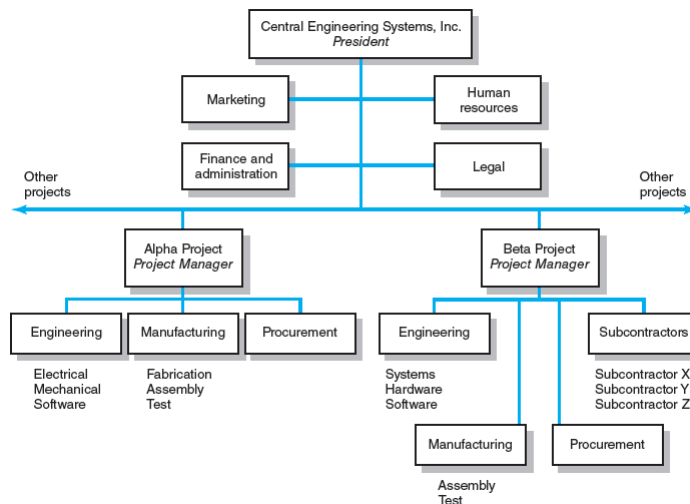


FIGURE 3.3
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Matrix Organization Structure

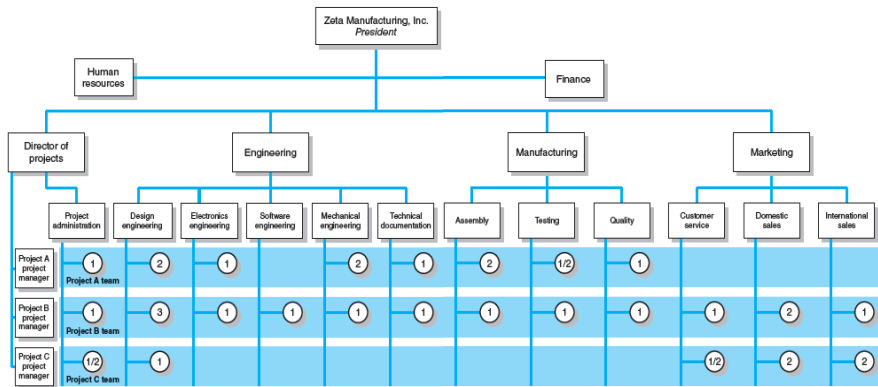


FIGURE 3.4
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Project Management Structures (cont'd)

- Organizing Projects: Matrix Structure
 - Hybrid organizational structure (matrix) is overlaid on the normal functional structure.
 - Two chains of command (functional and project)
 - Project participants report simultaneously to both functional and project managers.
 - Matrix structure optimizes the use of resources.
 - Allows for participation on multiple projects while performing normal functional duties.
 - Achieves a greater integration of expertise and project requirements.

Division of Project Manager and Functional Manager Responsibilities in a Matrix Structure

Project Manager

What has to be done?

When should the task be done?

How much money is available to do the task?

How well has the total project been done?

Negotiated Issues

Who will do the task?

Where will the task be done?

Why will the task be done?

Is the task satisfactorily completed?

Functional Manager

How will it be done?

How will the project involvement impact normal functional activities?

How well has the functional input been integrated?

TABLE 3.1
3-33

Different Matrix Forms

• Weak Form

- The authority of the functional manager predominates and the project manager has indirect authority.

• Balanced Form

- The project manager sets the overall plan and the functional manager determines how work to be done.

• Strong Form

- The project manager has broader control and functional departments act as subcontractors to the project.

Project Organization: Matrix Form

- **Advantages**

1. **Efficient**
2. **Strong Project Focus**
3. **Easier Post-Project Transition**
4. **Flexible**

- **Disadvantages**

1. **Dysfunctional Conflict**
2. **Infighting**
3. **Stressful**
4. **Slow**

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What Is the Right Project Management Structure?

- **Organization (Form) Considerations**

- How important is the project to the firm's success?
- What percentage of core work involves projects?
- What level of resources (human and physical) are available?



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What Is the Right Project Management Structure? (cont'd)

- Project Considerations
 - Size of project
 - Strategic importance
 - Novelty and need for innovation
 - Need for integration (number of departments involved)
 - Environmental complexity (number of external interfaces)
 - Budget and time constraints
 - Stability of resource requirements

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Organizational Culture

- Organizational Culture Defined
 - A system of shared norms, beliefs, values, and assumptions which bind people together, thereby creating shared meanings.
 - The “personality” of the organization that sets it apart from other organizations.
 - Provides a sense of identity to its members.
 - Helps legitimize the management system of the organization.
 - Clarifies and reinforces standards of behavior.

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Key Dimensions Defining an Organization's Culture



FIGURE 3.5
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Identifying Cultural Characteristics

- Study the physical characteristics of an organization.
- Read about the organization.
- Observe how people interact within the organization.
- Interpret stories and folklore surrounding the organization.



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Implications of Organizational Culture for Organizing Projects

- Challenges for Project Managers in Navigating Organizational Cultures
 - Interacting with the culture and subcultures of the parent organization
 - Interacting with the project's clients or customer organizations
 - Interacting with other organizations connected to the project



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Cultural Dimensions of an Organization Supportive of Project Management



FIGURE 3.7
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