Project Management Organizational Structures

PROJECT MANAGEMENT FOR DEVELOPMENT ORGANIZATIONS

PM4DEV®

PROJECT MANAGEMENT FOR DEVELOPMENT ORGANIZATIONS

A methodology to manage development projects for international humanitarian assistance and relief organizations
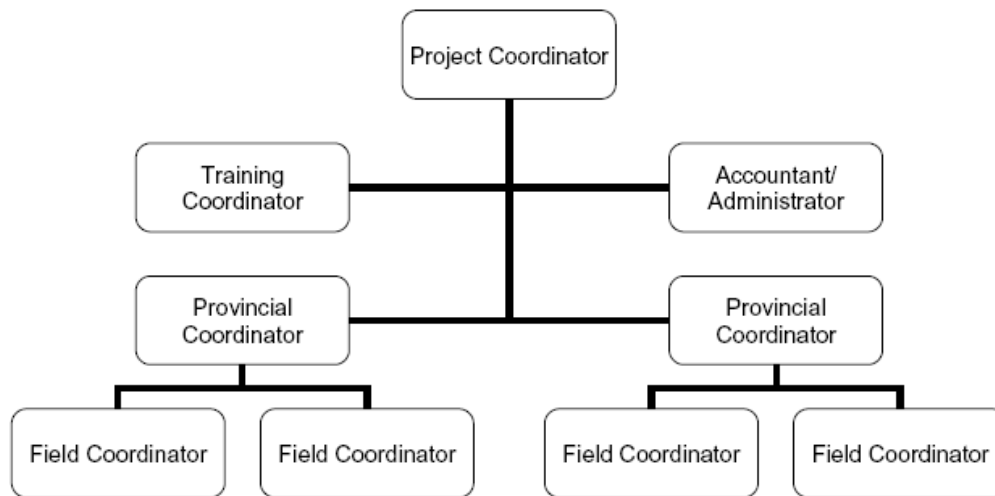
THE PROJECT ORGANIZATION STRUCTURE

A project organization is a structure that facilitates the coordination and implementation of project activities. Its main reason is to create an environment that fosters interactions among the team members with a minimum amount of disruptions, overlaps and conflict. One of the important decisions of project management is the form of organizational structure that will be used for the project.

Each project has its unique characteristics and the design of an organizational structure should consider the organizational environment, the project characteristics in which it will operate, and the level of authority the project manager is given. A project structure can take on various forms with each form having its own advantages and disadvantages.

One of the main objectives of the structure is to reduce uncertainty and confusion that typically occurs at the project initiation phase. The structure defines the relationships among members of the project management and the relationships with the external environment. The structure defines the authority by means of a graphical illustration called an organization chart.

A properly designed project organization chart is essential to project success. An organization chart shows where each person is placed in the project structure. An organization chart is drawn in pyramid form where individuals located closer to the top of the pyramid have more authority and responsibility than members located toward the bottom. It is the relative locations of the individuals on the organization chart that specifies the working relationships, and the lines connecting the boxes designate formal supervision and lines of communication between the individuals.

The Project Management Structures

Fig, Project Organization Chart (use another example)

Creating the project structure is only a part of organizing the project; it is the actual implementation and application that takes the most effort. The project organization chart establishes the formal relationships among project manager, the project team members, the development organization, the project, beneficiaries and other project stakeholders. This organization must facilitate an effective interaction and integration among all the major project participants and achieve open and effective communication among them.

The project manager must create a project structure that will meet the various project needs at different phases of the project. The structure cannot be designed too rigid or too lose, since the project organization's purpose is to facilitate the interaction of people to achieve the project ultimate goals within the specified constraints of scope, schedule, budget and quality. The objective in designing a project structure is to provide a formal environment that the project manager can use to influence team members to do their best in completing their assignment and duties. The structure needs to be designed to help develop collaboration among individual team members; all in a cost effective way with a minimum of duplication of effort and overlaps.

The organization chart has a limited functionality; it only shows the hierarchical relationship among the team members but does not shows

how the project organization will work, it is for that reason that the design should consider factors that will facilitate the operation of the structure; these include communications, information flows, coordination and collaboration among its members.

FACTORS IN DESIGNING A PROJECT STRUCTURE

There are two design factors that significantly influence the process of developing a project management structure. These are the level of specialization, and the need for coordination. The project manager should consider these factors at the moment of designing the project organization in order to maximize the effectiveness of the structure.

Specialization affects the project structure by the degree of specialty in technical areas or development focus; projects can be highly specialized and focus on a specific area of development, or have different broad specializations in many areas of development. For large projects that have multiple specializations or technical areas, each area may have a different need; from differences in goals, approaches and methodologies, all of which influence the way the project will implement its activities. A project that has two components, a reconstruction and education, will need to manage different approaches based on the specialization of each one. In the education component, the needs is for a structure more open and informal, where the time horizon is longer, with more emphasis on sharing and generation of new ideas in order to achieve innovation and creativity. In a reconstruction component, there are specific goals, a need for a rigid, hierarchical structure, and there is a defined time horizon with little sharing of ideas. While specialization allows each project component to maximize their productivity to attain their departmental goals, the dissimilarities may lead to conflict among the members or leads of each component. In general, the greater the differences, the more problems project managers have in getting them to work together.

Coordination is required to bring unity to the various elements that make up a project. The project work is organized around a work breakdown structure (WBS) that divides the overall project goals into specific activities or tasks for each project area or component; the

project manager must design an organizational structure that ensure that the various components are integrated so that their efforts contribute to the overall project goal. Integration is the degree of collaboration and mutual understanding required among the various project components to achieve project goals. Most projects are characterized by the division of labor and task interdependencies, creating the need for integration to meet project objectives. This need is greatest when there are many project components that have different specializations. The goal of the project management structure is the achievement of harmony of individual efforts toward the accomplishment of the group goals. The project manager's principal responsibility is to develop integrating strategies to ensure that a particular component or activity is organized in a way that all of the components, parts, subsystems, and organizational units fit together as a functioning, integrated whole according to the project master plan.

TYPES OF PROJECT ORGANIZATIONS STRUCTURES

Of the several factors to consider when deciding on the design of project organizational structures, especially within an existing organization, the factor that has a significant is the extent of authority and responsibility top management is prepared to delegate to the project manager. An important function of the organizations' top management is to design an organization that fully supports project management. This is done by redesigning the organization to emphasize the nature of the projects and adapting how roles and responsibilities are assigned.
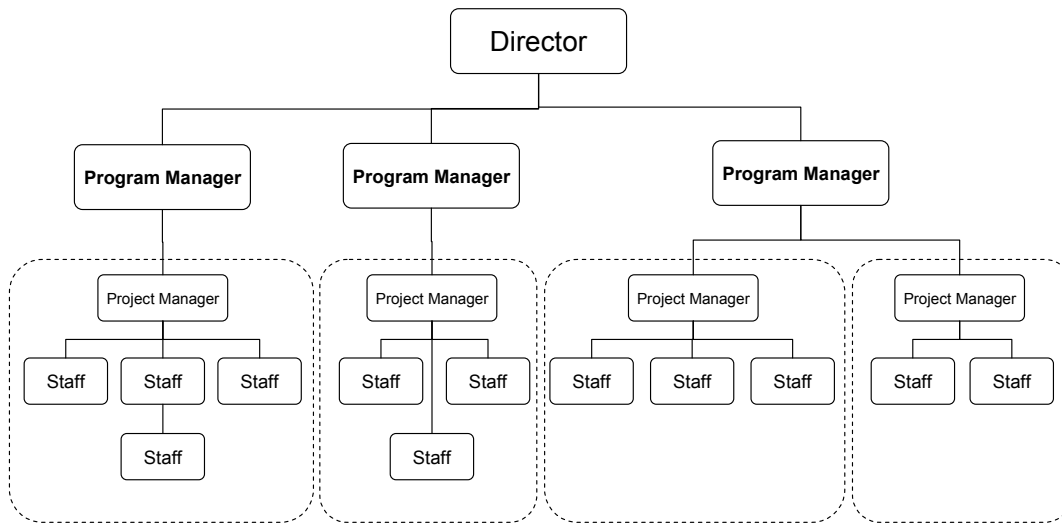
The organization needs to define the project manager's job, degree of authority and autonomy, and relationship to both the organization, other projects and to other units in the organization. Upper management also should specify communication channels, methods of conflict resolution between the project and the rest of the organization. Development organizations are usually organized around programmatic focus areas such as health or education. These areas are usually called program units and are centered on a specific development field. In this environment a project has three organization structures available for design and all are defined by the level of organizational authority given to the project manager:

- Programmatic based, in which project managers have authority only within the program focus or area

- Matrix based,, in which the project manager shares responsibility with other program unit managers

- Project based, in which project managers have total authority.

Programmatic Based

The programmatic focus refers to a traditional structure in which program sector managers have formal authority over most resources. It is only suitable for projects within one program sector. However, it is not suitable for projects that require a diverse mix of people with different expertise from various program sectors. In a programmatic based organization, a project team is staffed with people from the same area. All the resources needed for the project team come from the same unit. For instance, if the project is related to the health area, the project resources come from the health unit.

The most obvious advantage of programmatic based projects is that there are clear lines of authority, in large projects the project managers tend to also be the program unit manager. There is not need to negotiate with other program units for resources, since all of the staff needed for the project will come from the same program area. Another advantage of this type of organization is that the team members are usually familiar with each other, since they all work in the same area.
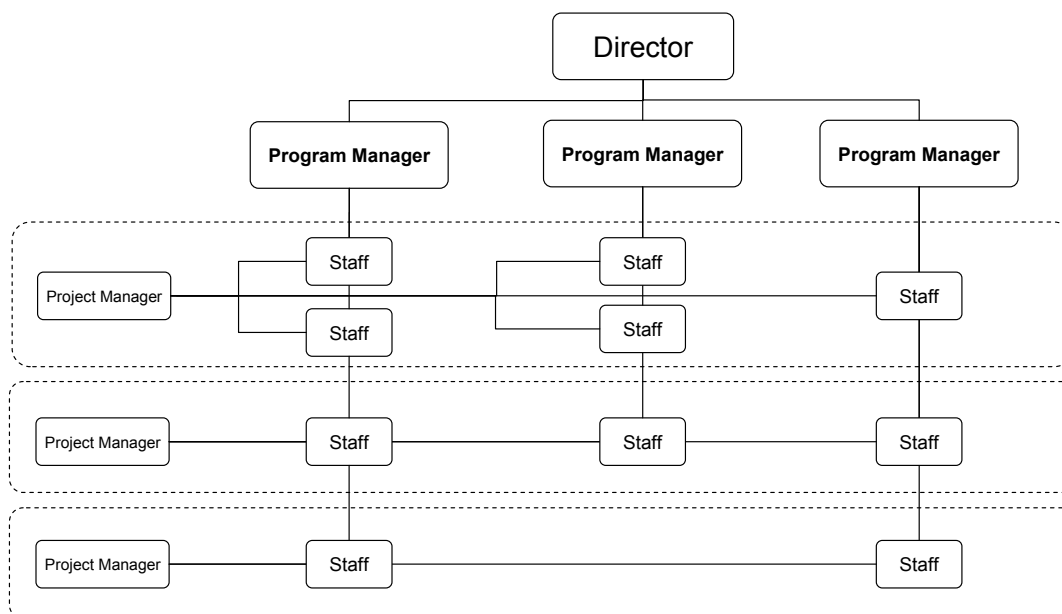
The team members also tend to bring applicable knowledge of the project.

A major disadvantage of the programmatic based organization is that the program area may not have all of the specialists needed to work on a project. A nutrition project with a water component, for instance, may have difficulty acquiring specialty resources such as civil engineers, since the only people available will work in their own program unit. Another disadvantage is that project team members may have other responsibilities in the program unit since they may not be needed full-time on a project. They may be assigned to other projects, but it is more typical that they would have support responsibilities that could impact their ability to meet project deadlines.

Matrix Based

Matrix based project organizations allow program units to focus on their specific technical competencies and allow projects to be staffed with specialists from throughout the organization. For instance, nutrition specialists may report to one program unit, but would be allocated out to work on various projects. A health specialist might report to the health unit, but be temporarily assigned to a project in another project that needs health expertise. It is common for people to report to one person in the programmatic unit, while working for one or two project managers from other projects in different programmatic units.
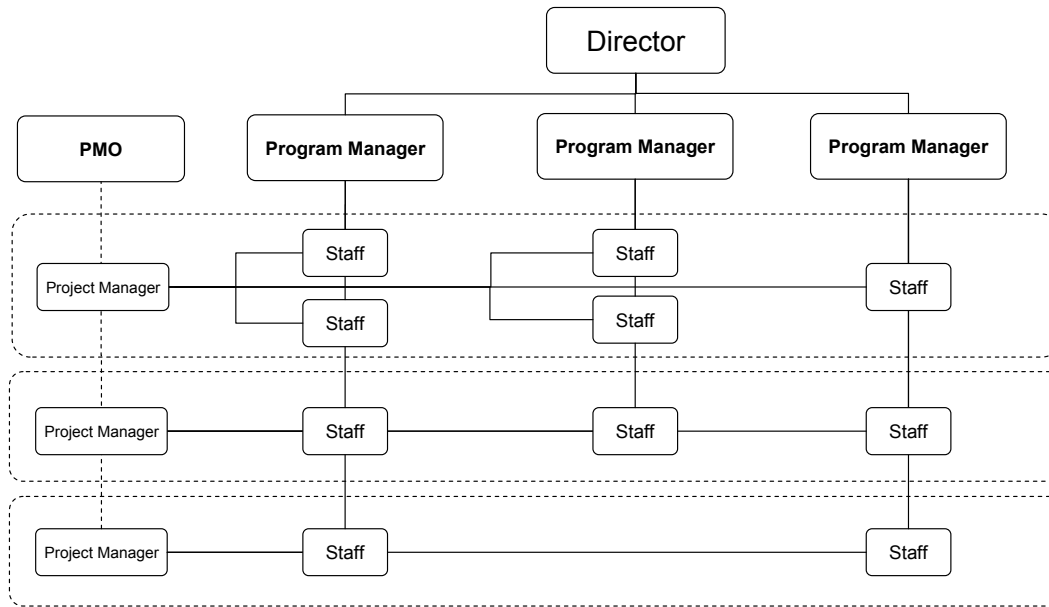
The main advantage of the matrix based organization is the efficient allocation of all resources, especially scarce specialty skills that cannot be fully utilized by only one project. For instance, monitoring and evaluation specialists may not be utilized full-time on a project, but can be fully leveraged by working on multiple projects.

The matrix based organization is also the most flexible when dealing with changing programmatic needs and priorities. Additional advantages to matrix management are: it allows team members to share information more readily across the unit boundaries, allows for specialization that can increase depth of knowledge and allow professional development and career progression to be managed. It is easier for a program unit manager to loan an employee to another manager without making the change permanent. It is therefore easier to accomplish work objectives in an environment when task loads are shifting rapidly between programmatic units.

The main disadvantage is that the reporting relationships are complex. Some people might report to programmatic unit managers for whom little work is done, while actually working for one or more project managers. It becomes more important for staff members to develop strong time management skills to ensure that they fulfill the work expectations of multiple managers. This organization also requires communication and cooperation between multiple programmatic unit managers and project managers since that all be competing for time from the same resources.

Matrix management can put some difficulty on project managers because they must work closely with other managers and workers in order to complete the project. The programmatic managers may have different goals, objectives, and priorities than the project managers, and these would have to be addressed in order to get the job done. An approach to help solve this situation is a variation of the Matrix organization which includes a coordinating role that either supervises or provides support to the project managers. In some organizations this is know as the Project Management Office (PMO), dedicated to provide expertise, best practices, training, methodologies and guidance to project managers.

The Project Management Structures

The PMO unit also defines and maintains the standards of project management processes within the organization. The PMO strives to standardize and introduce economies of scale in the implementation of projects. The PMO is the source of documentation, guidance and metrics on the practice of project management and implementation. The PMO can also help in the prioritization of human resources assigned to projects.
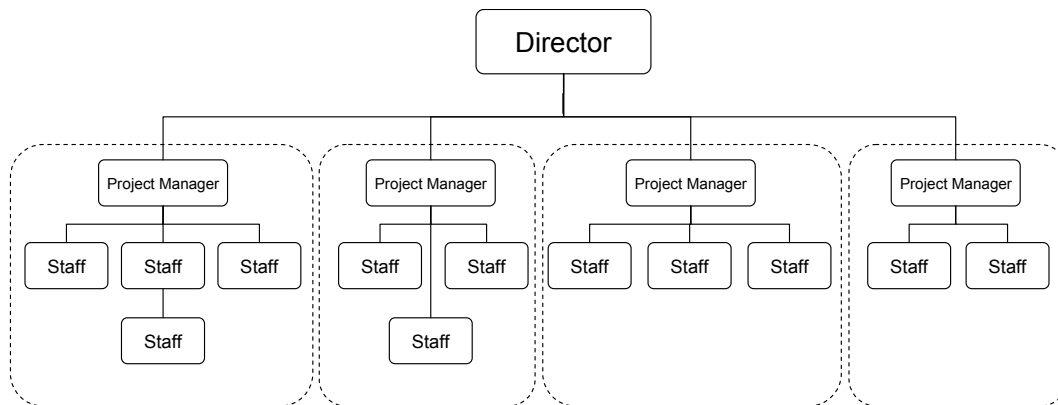
Project Based

In this type of organization project managers have a high level of authority to manage and control the project resources. The project manager in this structure has total authority over the project and can acquire resources needed to accomplish project objectives from within or outside the parent organization, subject only to the scope, quality, and budget constraints identified in the project.

In the project based structure, personnel are specifically assigned to the project and report directly to the project manager. The project manager is responsible for the performance appraisal and career progression of all project team members while on the project. This leads to increased project loyalty. Complete line authority over project efforts affords the project manager strong project controls and centralized lines of communication. This leads to rapid reaction time and improved

responsiveness. Moreover, project personnel are retained on an exclusive rather than shared or part-time basis. Project teams develop a strong sense of project identification and ownership, with deep loyalty efforts to the project and a good understanding of the nature of project's activities, mission, or goals.

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Pure project based organizations are more common among large and complicated projects. These large projects can absorb the cost of maintaining an organization whose structure has some duplication of effort and the less than cost-efficient use of resources. In fact, one major disadvantage of the project based organization is the costly and inefficient use of personnel. Project team members are generally dedicated to one project at a time, even though they may rarely be needed on a full-time basis over the life cycle of the project. Project managers may tend to retain their key personnel long after the work is completed, preventing their contribution to other projects and their professional development.

In this type of organization, limited opportunities exist for knowledge sharing between projects, and that is a frequent complaint among team members concerning the lack of career continuity and opportunities for professional growth. In some cases, project personnel may experience a great deal of uncertainty, as organization's or donor's priorities shift or the close of the project seems imminent.

One disadvantage is duplication of resources, since scarce resources must be duplicated on different projects. There can also be concerns about how to reallocate people and resources when projects are completed. In a programmatic focus organization, the people still have jobs within the program unit. In a project-based organization it is not always clear where everyone is reassigned when the project is completed. Another disadvantage is that resources may not be needed as a full time for the entire length of the project, increasing the need to manage short term contracts with consultants and other subject matter experts.

A variety of this pure project approach is temporarily project-based organizations. This organization consists of a project team pulled together temporarily from their program unit and led by a project manager that does not report to a programmatic unit. The project manager has the full authority and supervision of the project team.

Another design is based on a mixed structure that includes a matrix, programmatic focus and project based; this mix reflects the need for more flexibility in a development organization to accommodate different requirements. For example a health program may have a couple of projects short term and long term all reporting to the program manager. An education project may be organized on a matrix using resources part-time from other units, and a large water project organized as a fully project-based were all staff report to the project manager. It is not unusual to find this type of mixed designs on development organizations.

MANAGEMENT STYLES

Organization culture is a strong influence on the type of management styles that can be used on projects. The local culture, customs and social dynamics also influence the management style; along with the nature of the project, the nature of the team and the personality and skills of the project managers. There are four distinct organizational management styles that have a strong influence on how project are managed:

- Autocratic
- Paternalistic
- Democratic
- Laissez-faire

Autocratic or authoritarian, the manager makes all the decisions, keeping the information and decision making among the senior management. Objectives and tasks are set and the workforce is expected to do exactly as required. The communication involved with this method is mainly downward, from the leader to the subordinate; this method can lead to a decrease in motivation from the employee's point of view. The main advantage of this style is that the direction of the organization will remain constant, and the decisions will all be similar, this in turn can project an image of a confident, well managed organization. On the other hand, team members may become highly dependent upon the project manager's and supervision may be needed.

Paternalistic form is where the manager makes decisions in the best interests of the employees rather than the organization. The manager explains most decisions to the team members and ensures that their social and leisure needs are always met. This can help balance out the lack of staff motivation caused by an autocratic management style. Feedback is again generally downward; however feedback to the management will occur in order for the employees to be kept happy. This style can be highly advantageous, and can engender loyalty from the employees, leading to a lower staff turnover, thanks to the

emphasis on social needs. It shares similar disadvantages to an authoritarian style; employees becoming highly dependent on the leader, and if the wrong decisions are made, then employees may become dissatisfied with the leader.

Democratic style is one where the manager allows the employees to take part in decision-making, where everything is agreed by the majority. This style can be particularly useful when complex decisions need to be made that require a range of specialist skills. From the overall organization's point of view, job satisfaction and quality of work will improve. However, the decision-making process is severely slowed down, and the need of a consensus may avoid taking the best decision for the project.

Laissez-faire style, the manager's role is marginal and the employees manage their own areas within the project; the manager evades the duties of management and uncoordinated delegation occurs. The communication in this style is horizontal, meaning that it is equal in both directions, however very little communication occurs in comparison with other styles. The style brings out the best in highly professional and creative groups of employees, however in many cases it is not deliberate and is simply a result of poor management. This leads to a lack of staff focus and sense of direction, which in turn leads to much dissatisfaction, and a poor organization image.

PROJECT GOVERNANCE

Project governance can be defined as an organization's overall process for sharing decision rights about projects and monitoring the performance of project interventions. All development organizations have some form of project governance. Those with effective governance have actively designed a set of project governance mechanisms (committees, budgeting processes, approvals, etc.) that encourage behavior consistent with the organization's mission, strategy, values, norms, and culture.

The objective of project governance is to establish clear levels or authority and decision making including the planning, influencing and

conducting of the policy and affairs of the project. It involves the people, policies and processes that provide the framework within which project managers make decisions and take actions to optimize outcomes related to their areas of responsibility. This is achieved by defining and identifying the roles, responsibilities and accountability of all people involved in a project, including their interaction and level of coordination with internal and external dependencies.

The organization's management team is responsible for setting up and supporting the governance structure before the project initiates its activities to ensure that all key decisions are made at the right time. The management team defines the project governance in a document that outlays the roles and responsibilities for decision making in the project team and stakeholders; this may include the creation of a project committee and its high level operating rules. A good project governance document helps projects by defining the procedures to follow escalation of issues, defines the decision making structure, roles and responsibilities of each key stakeholder about the different processes in the project from communications to budget change authorizations.

Some development organizations may choose the have a standing project governance committee that oversees all projects and defines the decision making structure for each project. In this case the committee may include decisions about project proposal approvals and supervision of the organizations' project portfolio in general, including the selection or appointment of project managers.

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Drawing from our deep understanding of the challenges and the needs for realistic solutions that can improve the way in which projects are managed and services are delivered, PM4DEV offers the only adapted Project Management Methodology for development organizations. Our services include:

- **Consulting** to help organizations assessing the need and the impact of implementing a Project Management methodology that will increase the impact of their interventions

- **On Site Training** on Project Management Methods to increase/develop the skills of project managers

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This Point of view provides a summary of themes, that in PM4DEV's experience, have proved critical in the successful implementation of project management methodologies.

It draws on the expertise of Project management professionals and provides a guide to deliver a methodology that increases the chances of project success.

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The Sustainable Development Goals (SDG) aim by 2030 to end poverty, protect the planet, and ensure prosperity for all.

PM4DEV is committed to provide resources and develop knowledge and expertise to support development organizations in their efforts to achieve these ambitious goals.

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