

# Dealing with the Challenges Faced by Project-Based Organisations

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# Project Managers and Bureaucrazies....





# The increasing popularity of PBOs





# Hyper-Competition and Competitive Advantage

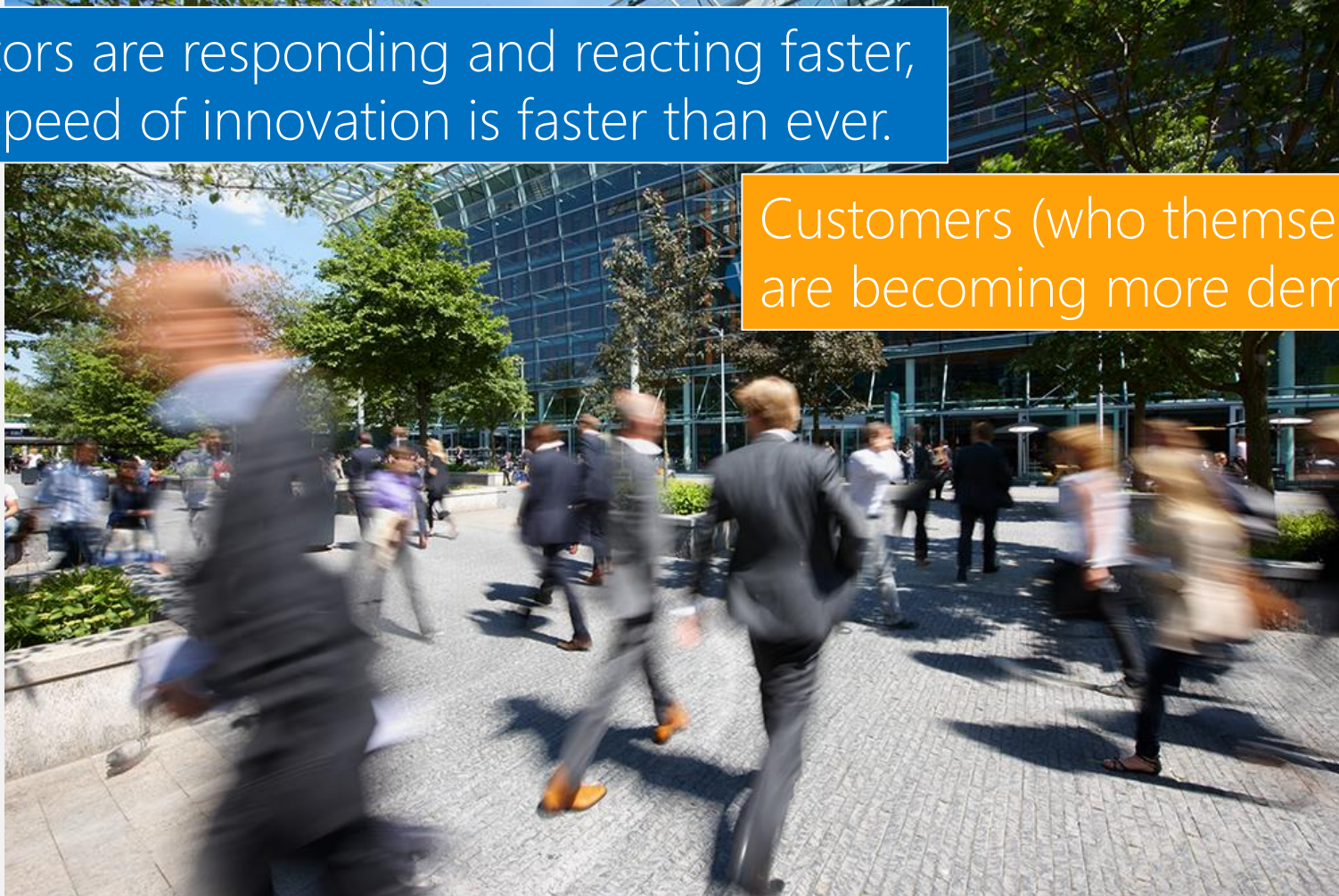
## HYPER-COMPETITION

Difficult to maintain competitive advantages for any length of time.

Competitors are responding and reacting faster, and the speed of innovation is faster than ever.

Customers (who themselves are facing similar issues) are becoming more demanding and less loyal.

Requires organisations to react quickly in response to challenges...



# Hyper-Competition and Competitive Advantage

How can PBOs improve their operational effectiveness to respond to these challenges?



response to the market

production

product quality

innovation speed



# The PBO as an Emerging Organisational Form

The PBO has great potential to foster innovation and promote effective project leadership, as well as approaches that encourage creativity and personal commitment.

This enables the PBO to operate effectively; respond rapidly to client needs; and cope with project risks and uncertainties.



PBOs typically engage in unique, novel and transient work, and because no two projects are the same, PBOs deal with change as a matter of their daily commercial reality.

# Structures and Rapid Reassembly

Because most new projects tend to be new business endeavours...  
Simultaneous product, process and organisational innovation is often required.

The effectiveness of a PBO is dependent on its ability to rapidly create and recreate new organisational structures around the needs of each project and/or each major customer.

Projects can be viewed as temporary business structures supported by more permanent functional structures.

Thus, PBOs typically contain a mixture of temporary and permanent business structures and systems.





# Things that create tensions in PBOs



# Enter the Matrix...

Temporary Permanent	Business Unit A			Business Unit B			
	PR 1	PR 2	PR 3	PR 4	PR 5	PR 6	PR 7
Business Development							
Finance							
HR							
Procurement							
IT							
PM / ENG							

# Matrix PBOs: Two Worlds in One

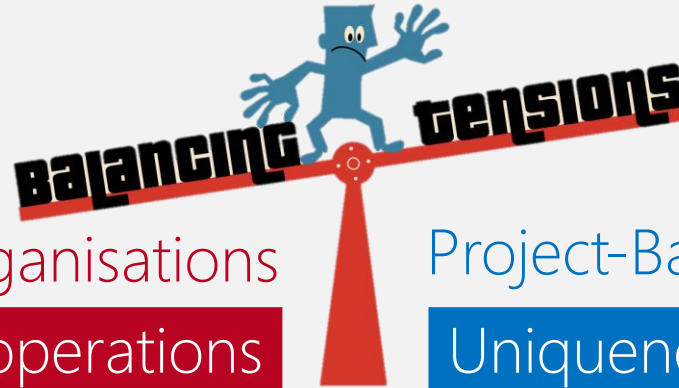
This combination of temporary and permanent structures means that although PBOs have certain advantages...

...but they also have trade-offs which create challenges for managerial practice.

These are referred to as 'tensions'.



# Balancing the Tensions



## Traditional Business Organisations

Continuous operations

Emphasis on working processes

Low degree of uncertainty

Stable processes

Permanent arrangement

Highly structured

Hierarchical organisation

Centralised decision-making

Bureaucratic

## Project-Based Organisations

Uniqueness

Complexity

High degree of uncertainty

Discontinuity / localised process

Temporary arrangements

Dynamic & flexible

Non-hierarchical organisation

Decentralised decision-making

Adhocratic



# Balancing the Tensions

**Functional units:**  
Internally oriented.

Prefer standardised processes, centralised authority, compliance to procedures, and commonality of “best practice” across the organisation.

Strongly focused on internal factors such as process and performance, and often attempt to reduce the risk of failure by allowing less autonomy in projects.

Researchers have proven that where matrix structures are effective:

- process owners have found a **balance** between control and support
- have adopted the role of **subject matter experts** and advisors
- acknowledging it is the **line manager** who has decision authority.

**Projects:**  
Externally oriented.

Concerned with delivering to customers’ expectations.

Bombarded by urgent problems and pressing deadlines, and do not have the time or resources to commit themselves to centrally focused activities.

Typically focus more on external factors such as competitors, customers, suppliers and partners.



# Managing the Tensions



# Adapt – Transform – Survive...

A PBO's effectiveness and survival depends on its ability to:

- adapt and transform to market/client needs
- rapidly mobilise its resources,
- develop its capabilities to exploit those resources.

To achieve this:

- the permanent, core structures of a PBO need to focus on efficiency;
- the outer edges of the PBO, which provide its differentiating and competitive advantage, need to focus on speed and innovation.



"We are well positioned to break into this new market because we have standardised internal processes..."

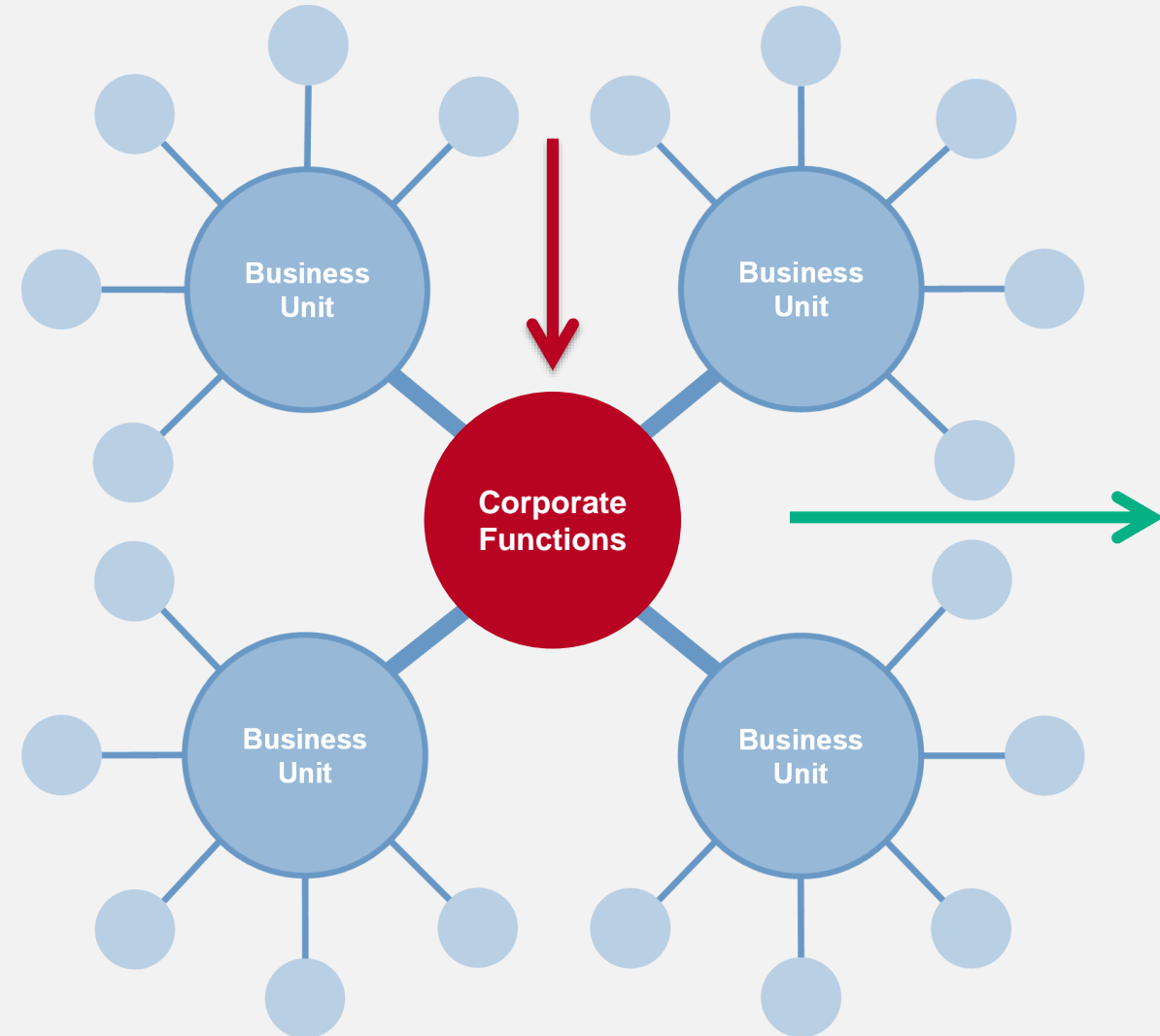
# Efficient Core – Agile Outer

## AGILITY:

Responding rapidly to client/market demands results in constant innovation and business change at the project or business unit level

## EFFICIENCY:

The more permanent/stable functional core focuses on providing a cost effective service to the “outer nodes”.





# Balancing Control and Support

## MANAGE

Governance

Performance  
Management

Financial Management

Risk

Strategy & Planning

## EXECUTE

Project Management

Concept

Plan

Build

Test

Deliver

## SUPPORT

Sales

Admin

PM/ENG

HR

Procure

IT

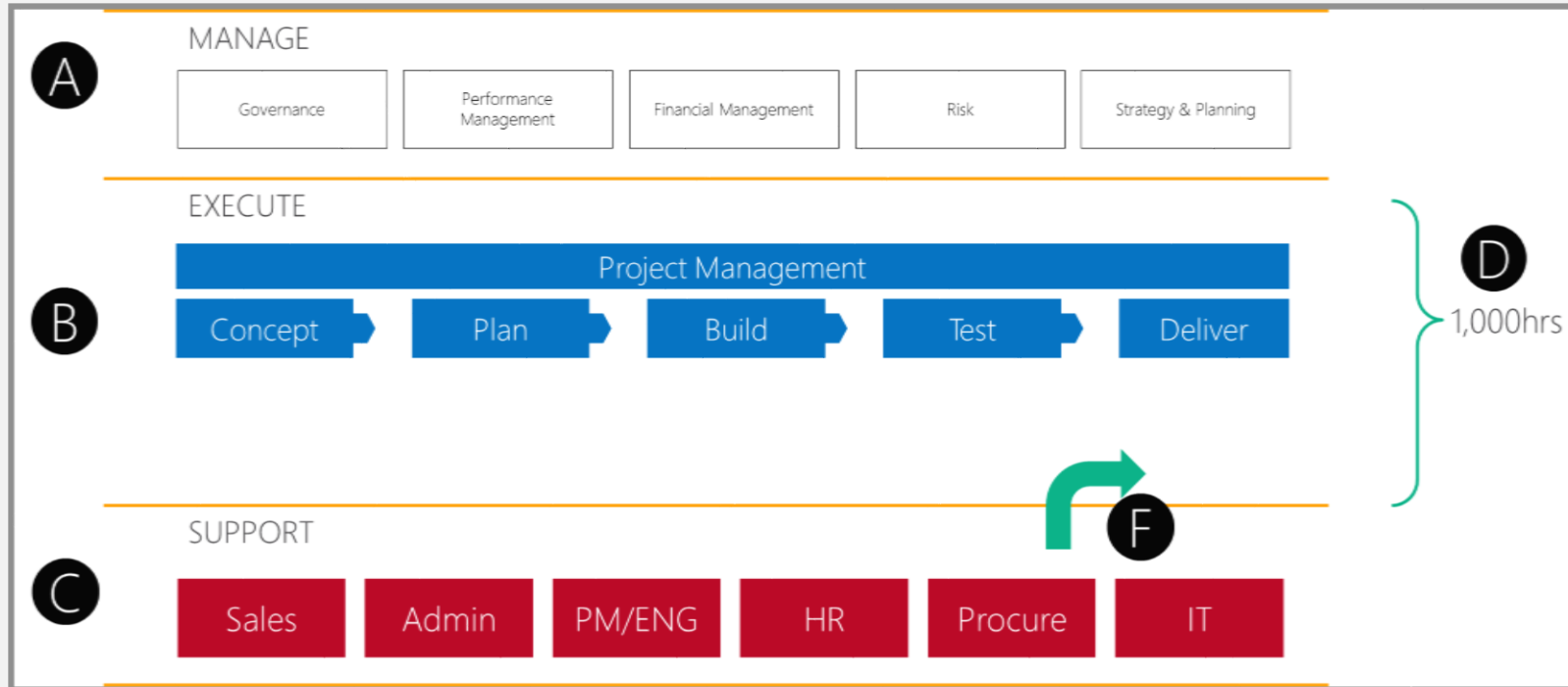
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# Balancing Control and Support



- Better **balance** between control and support
- Functional roles of **subject matter experts** and advisors
- The **line manager** has decision authority.



Bringing it all together



# Dealing with the challenges



Understand what it takes to rapidly mobilise a project to "execution readiness"



Develop key operating principles to ensure that your structure balances functional control and support



Create shared objectives around the customer (*"How can we add value for the customer?"*)



Engage functional colleagues as "**subject matter experts**" rather than as "**process-controllers.**"