

How Organizational Structures Affect Project Outcomes

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Abstract: *The need for an adequate organizational structure for projects cannot be over emphasized. It serves as the pillar for appropriate project implementation. Thus, making it expressly clear for senior management to adopt the most preferred structure to support the entire project. This should be done in a manner where the organization will benefit the most. However, the various organizational forms mentioned should be examined to ensure that it suits the potential projects the organization intends implementing. Such selection process should be free of sentiments, personal gains, bribery and other unethical practices that might compromise the process. The following should be considered in the selection process; type of project i.e. complex, simple or intermediate projects, organizational objectives, capacity of the parent organization i.e. The strengths of the functional unit in terms of manpower and other resources needed for the completion of the project, project determinants such as time, schedule, performance, budget and quality, the challenges and benefits associated with each organizational structure, the risks associated with the projects and which structure is suitable to mitigate such risks.*

Keywords: Organizational structure; Projectized; Functional manager; Project manager; Matrix structure

1. Introduction

Having the right organizational structure is important to every project. In the quest to implement project, senior management should be mindful in selecting the appropriate organizational structure that will support the implementation process. Nevertheless, such arrangements have its own drawbacks that impede the progress of project if not carefully done. Organizations are interested in adopting organizational structure that is robust enough to withstand both internal and external challenges. Small organizations may not too focus on setting up such structures, but as the organization grows, so it captures new markets and increases its customer base. With such advancement, there is the need to have a proper structure that will support their strategic agenda.

Some of the most popular organizational structures that are used in project implementation are functional, projectized (project oriented), matrix and mixed structures.

These different structures are applied by the organization in order to meet its strategic objectives. Therefore, the selection of project organizational structure forms an important component of management's responsibility. Selecting the correct organizational structure for a project is a critical step towards achieving project success and as such, should be treated with utmost seriousness. The selected structure should be seen complimenting management's strategic drive to accomplish the strategic goal of the organization.

However, it becomes imperative on management to set yardsticks in order to get the process right. These measures will not only guide them throughout the selection process but will bring sanity and appropriateness in choosing the most fitted organizational structure for a project.

Guidelines in choosing organizational structure for a project

Management has several options in terms of organizational structure for a project. Each of these structures has varied advantages and disadvantages that should inform management decisions as to which one is suitable for the potential project. Therefore, some of the procedures in selecting the correct organizational structure for a project are thus:

- Understanding the strategic goal of the parent organization together with the primary objective of initiating the project. However, management can use the project as tool to achieve that goal. Establishing that fact, will significantly help senior management in choosing the right organizational structure for every project undertaken by the parent organization. Projects are initiated by parent organizations for a number of reasons including; introducing new product line into the market, gaining competitive advantage over rivals, differentiation of product to make it distinct, natural disaster that has damaging effects on the performance of the organization can lead to project initiation. It is incumbent on management to ensure that project activities have a strong tie with the strategies of the parent organization.
- Establishing the functional unit of the parent organization that has a particular interest in the potential project. For instance, if the project is an engineering one, it becomes necessary for the project to liaise with the engineering unit of the parent organization. Depending on the organizational structure, the functional manager of the engineering unit will be overseeing the project.
- The nature of the project is an important parameter in choosing an organizational structure. This includes the following; whether the project is short-term or long-term in nature, whether it is highly technological. Highly technological projects point towards the functionalized structure, factors like resources, scope, schedule, quality and capacity of the human resources of the parent

organization are all significant considerations in choosing the right organizational structure, meeting client requirements is also paramount in the selection process. The project should be able to respond to client needs in a timely manner.

- Detailed breakdown of project tasks and the assignment of each task to project personnel for better performance. This will give an idea of the pending work and the specialist required to perform that work. In a situation where the parent organization lacks the personnel capacity, then it becomes a prime factor in influencing the organizational structure for such project.
- Considering the benefits and challenges of the various organizational structures, will enable management to have an in-depth idea as to which organizational structure is the most fitted for the project.

2. Assessing Project Organizational Structures

Functional Structure

This form of organizational structure presents a situation where projects are implemented by the functional unit of the organization. There is a project manager but he is under the authority of the functional manager. The functional manager has more say in terms of making critical project decisions. In as much as this structure has several challenges, yet there are also plenty of advantages and these are:

- Because the project is implemented within the functional unit; the unit is serving as reservoir for the project. This helps the project to tap into the organizational resources such as human capacity, equipments and tools to enhance project implementation. Project manager can request for technical staff from the functional unit instead of going in search of technical people outside the parent organization.
- The projects tend to go by parent organizational procedures and ethics in implementation; because these projects are supervised by the functional unit of the organization. In essence, it identifies the project with the organizational strategies of the parent organization.
- Staff in the functional units are willing to lend their support to the project in order to develop their career.
- The project manager has less burden when it comes to negotiating with senior management for project resources. This is so, because the functional manager is directly supervising the work of the project manager; hence supporting the project by providing resources.

In addition to the advantages highlighted, there are several challenges associated with this form of organizational structure and they are:

- In this form, the functional manager assigns staff to the project. In such assignment, there is always the tendency for the functional manager to do that in the interest of his functional unit. The unit is his priority and as such will not be willing to release staff with high technical and rare skills to the project, especially if such staff is highly needed in the functional unit thus, disturbing the interest of the project manager. Such, can lead to conflict situations between the two managers.
- Even when staff are assigned to the project, they tend to show more commitment to the functional unit than the project. This happens because staff are aware that

promotions and other incentives are as a result of their attachment to the parent organization through their functional unit. In such cases, the project suffers.

- This organizational structure creates bottlenecks in the decision-making process. Hence, not allowing the project to respond to clients' needs in a timely and efficient manner.
- There is always the tendency for potential conflicts situations in this structure. Conflict might arise from the following areas; misunderstanding between the project manager and the functional manager, since the functional manager does the assignment of staff and other resources to the project; it becomes apparent that the project manager might not get what he needs for the successful implementation of the project. This can lead to increasing tension and frustration for the project manager; and can degenerate to conflicts situation, staff assigned to the project that continue to show increasing loyalty to the functional manager might serve as recipe for project conflicts. This arises when such staff begins to gossip the project manager to the functional manager in order to gain favors and other personal benefits. Such situations can have adverse effects on the project and to so extent kill the project.

Projectized structure [Pure project organization]

This is an extreme case of the functionalized structure. The line that connects this structure to that of the parent organization is a thin one. The project manager is given autonomy to run the project as an entity separated from the parent organization; even though he reports to senior management periodically on the progress of the project. The idea underscoring this type of organizational structure is to make the project the focus and not the functional manager (Heldman, 2018). The advantages are thus:

- The project manager has absolute control over the entire project thus; eliminating the two-boss scenario in the matrix structure. This clear sense of direction helps team members to focus on the actual work and show full commitment to the project. The project reporting line is clear and straight forward, free from misunderstandings and potential conflict situations.
- Easy for the project to react to clients and management concerns in the implementation process because there is a centralized authority with the capacity to make quick decisions.
- This structure is simple and flexible, enabling project staff to understand it easily.

Here are the disadvantages:

- The pitfall of this structure from the parent organization's perspective is when the organization is implementing several projects. These different projects are implemented independently; not allowing the easy sharing of project resources and staff with high technical skills to lend support when the need arises. The costs that should have been reduced when these projects are strongly interfacing with the functional units is missing. Thereby, putting extra financial burden on the parent organization in accomplishing its objectives through project implementation.
- In most cases when the project ends, staff are relieved of their duty. This is a serious challenge in this

organizational structure especially when the project is near completion. Staff tend to concentrate on their future instead of giving their all to complete the project.

- Because of the weak link that exists between the project and the functional unit in this structure, its inevitably possible for the project to deviate from the norms of the parent organization.

3. Matrix structure

This form of organizational structure creates a fine balance between the two extreme structures; which are projectized and functionalized structure. Some scholars normally refer to this as the hybrid structure; attempting to blend the strengths of both structures to make the organization robust enough to cope with challenging projects. This structure is predominant in situations where the project involves contributions from both functional and technical areas. Contributions from these areas must be well synchronized in order for the project to achieve its objectives. For instance, most ICT projects suit this organizational structure; since they are usually developed in stages and then integrated to form a unit. In addition, this structure can be further divided into weak, balanced and strong matrix (Heldman, 2018). Nevertheless, this organizational structure has the following advantages:

- Since this structure requires input from the functional units, it becomes clear that the integration of system components and other project work packages could be successfully achieved through this collaboration. The functional unit serves as a pool, where staff with diverse skills and technical abilities can be utilized; instead of outsourcing experts to do some technical work in the project. In addition, it gives the parent organization the edge in keeping most of these experts even when there is no project to implement.
- There is significant reduction in project cost as a result of an efficient and effective management of organizational resources. Staff can easily move between projects and functional units on part-time or full-time basis reliant on the kind of project. This helps to reduce the cost of outsourcing project personnel. It gives the parent organization the opportunity to share resources among these projects in an equitable manner. Thus, making the matrix structure more cost effective than the projectized structure.
- Project team members are emotionally stable especially when the project is near completion as compared to the projectized arrangement; where they are worried about their status after the project ends. Team members are attached to the functional units of the parent organization thus, having a solid fall back strategy after the project. Nevertheless, because of the short-term nature of projects and the tangible and unique results it produces; team members develop affinity for project than their functional units. However, they are not too anxious as those in a projectized environment. In a projectized environment, team members are not necessarily staff of the parent organization; they are there to implement the project. Therefore, it's a serious concern to them when the project is on the verge of finishing; this can affect their performance in the project.

- Another important advantage of this structure is the preservation of the basic tenets of the parent organization during project implementation. Every organization has its guiding policies and rules that governs its entire operations. Having a project arrangement fused with the functional units helps such project to be implemented within the organizational framework; which includes strategies, policies, ethics and traditions. Thus, promoting the strategic goal of the parent organization.
- This structure provides an environment for staff growth. Staff within the parent organization that have shown passion and great interest in project, will have the opportunity to show forth their talents in the projects undertaken by the organization. If they are able to show good display of their project technical skills; then that sharpens their career path that will take them to project manager level. In essence, it gives staff an alternative in reaching top management level of the organization as well as achieving their personal goals.

In spite of the numerous advantages of the matrix structure, there are potential drawbacks that might impede those advantages if they are not properly addressed. However, the disadvantages of the matrix structure are thus:

- The arrangements of parent organizations are far more complex than we thought. Managing people, resources and other equipments for the organization to achieve its ultimate objective is such a daunting and difficult task. The matrix structure is even an exacerbation of such ordeal; where projects as well as functional units are managed. In this form, there is a fine trajectory enabling staff to operate within both areas as and when necessary. This switching of staff members between project and their functional units usually presents staff with the two-boss scenario. Staff members are working under two bosses; which are project manager and functional manager. Each of these bosses wants to exert authority and control thus, making staff members vulnerable. They are expecting loyalty from their staff especially during conflict situations. The whole situation is made worse when individual staff begins to pitch tent with one boss and despise the other. The matrix structure is a strong breeding ground for such vices.
- Decision-making is a critical function of management. With the matrix structure, where you have both managers craving for supremacy; decision making should not be shrouded in secrecy, personal sentiments and gains in favour of the manager with the upper hand. In most cases, administrative decisions are made by the project manager whereas technological decisions come from the functional manager thus, forcing the project manager to negotiate with functional units for most of the resources needed in the project. Such arrangement gives the functional manager the opportunity to stifle the work of the project manager when there is serious disagreement between them. This can lead to several delays in the decision-making process; decisions that should have been taken promptly to remedy the project.
- Project completion in this structure of organization is usually tensed as compared to that of the projectized structure. Some of the project tasks are resistant to finishing. This becomes a serious concern for management and such actions during this period of the

project is sufficient enough to create tense atmosphere. Resources and other project parameters such as time, quality and scope are reviewed and reported for management decisions. In essence, closing stages like the initial stage are predominantly marred with such tensions and conflicts especially in the matrix structure where project operation is blended with the activities of the functional units.

Mixed organizational structure

This form of organizational structure creates the platform for both fully functionalized and pure projectized structure to cohabit. It is similar to the matrix structure although it is characteristically used in small and extremely short duration projects (Meredith & Mantel (Jr.), 2009). It shares most of the advantages of the matrix structure; including sharing of resources between the parent organization and the projects.

There is always the tendency for this structure to transform itself to the matrix structure when the project exceeds its duration.

4. Projects and its Project Management Office

Project management has emerged as an effective tool used to accomplish organizational objectives. This has led to its increasing importance in the organizational hierarchy. As such, it is incumbent on management to treat this discipline with the seriousness it deserves. Seriousness here, does not only refer to mere words but rather words backed up by solid action.

In essence, the prominence gained in recent times by project management, makes it imperative for the establishment of Project Management Office (PMO). It is worth mentioning that the establishment of the PMO is a senior management decision. The PMO is geared towards advancing and maintaining project management principles and practices in order to efficiently managed resources assigned to the project (Heldman, 2018). However, a PMO can exist in all organizational forms and can be called project offices in some organizations (Heldman, 2018). There are several reasons for the PMO and these are:

- This office serves as a bridge linking the management of the parent organization to the project. Serves as the administrative home of the project where official meetings and dealings with clients and other stakeholders take place. This connection helps to establish smooth communication lines between the parent organization and the project administration.
- Serves as repository for keeping project data and other relevant project documents that might be needed in future projects. Such documents include; audit reports, risk registers, all project management plans (communication plan, project plan, financial plan, procurement plan, quality assurance plan, risk management plan etc.), monitoring and evaluation reports are all kept within this office for quick and future reference purposes. In an event where a new project manager is recruited to continue with a project, it becomes easy for that manager to search through the existing documents to determine when, where and what to do.

- This office ensures that best project management practices are followed in the implementation of each project. Therefore, it serves as the custodian of project management practices and principles; ensuring that project managers do not deviate from the accepted norms hence, leading to high quality project. In addition, it ensures that projects comply with the parent organizational ethics in its implementation.
- Provides the platform for training, coaching and mentoring of project personnel. This enhances the capacity of project staff and also helps to sharpen their skills for career advancement. Serves as a focal meeting point for project personnel.
- Analyses and assesses project to ensure that it meets the strategic goal of the organization.
- Supports the implementation of the project throughout the phases of its lifecycle.

Organizational structure and project outcomes

The different organizational structures are implemented to support the diverse kinds of projects in the organization. Depending on several factors such as the nature of the project, the goal and objectives of the parent organization, the project environment, the availability of project resources, the technical capacity required for the project, client's requirements, an organization can choose from the various organizational structures suitable to implement a project.

However, these structures can have far reaching effects on the project and its key stakeholders.

To start with, the functional structure creates a platform where there is increasing interaction and coordination between the project and the functional unit of the organization. In fact, functional unit staff are assigned to the project on a permanent or part-time basis. There is always that overlap between the functional unit and the project. The functional manager has the upper hand in this structure thus, making project interest secondary to that of the unit. Staff assigned to the project can always come back to the unit because they are part of the functional unit. This approach is not too good from the project manager's standpoint, because his control over the project is not absolute.

On the other hand, the projectized structure reduces the affinity between the project and the functional unit. Here, the project manager is directly in charge of the project and its team. It fosters interaction and coordination amongst project team members. Project staff are recruited by the project manager thus, preventing the two-boss situation that normally happens in the functional and matrix structures. The project manager enjoys loyalty and increasing participation from team members.

In the matrix structure, both managers are crucial to the success of the project. The interaction between project team and the functional unit is even more professional than that of the functional structure. The project manager requests for staff from the functional manager thus, fostering healthy relationship between both managers and their units. Team members interact with unit staff to find solution to common issues shared by both units. In this arrangement, both

managers must coordinate their efforts to achieve project success.

Therefore, when the correct organizational structure is selected the following outcomes of the project are seen;

- Easy management of the project that leads to both client and organizational satisfaction.
- Adequate management of organizational resources thus, preventing wastages.
- Organizational goals and strategies are accomplished.
- Project management procedures and standards are followed, which is good for the image of the organization.
- Career advancement for all key stakeholders such as project manager, project team, functional manager and staff are realized.
- Gives the organization the competitive edge over its rivals.

5. Conclusion

Organizational structure is now an increasing concept that senior management as well as project managers should emphasize in project management. Since, this is where project interfaces and project reporting lines are established. It becomes abundantly clear for senior management to establish such, so as to reduce the level of tension that normally occurs between the project and the functional unit of the organization. With this clarity, both managers now know their level of authority in the project.

For instance, the functional manager has more say in the functional structure than the projectized structure; where the project manager is completely in charge.

In essence, some of the conflicts arising in the project environment would not have occurred if the right organizational structure was selected.

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