

EXPERT SERIES

The "Expert Series" is a collection of articles, papers and writings by PM Solutions' associates and other industry experts that provides insight into the practice and value of project management.

The Functional to Matrix Transition

Common Pitfalls

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I RECENTLY PARTICIPATED IN A CONSULTING ASSIGNMENT WHICH INVOLVED MOVING A LARGE ITS ORGANIZATION from an old-style functional-department organization structure towards one more friendly to projects. The project faced the sorts of challenges that are common when trying to realign organizational structure with the new realities of managing by projects. In addition, there were added cultural barriers because the company was in the financial services sector-a very traditional industry, known for conservatism in management approaches.

Project management consultants were called in because, for the first time, the organization was undertaking a multi-year enterprise-wide development program that cut across multiple functional departments, instead of following their old pattern of doing projects within departments. Within the program, several major related projects were being carried out. Clearly, business as usual would not suffice.

BASELINE: A FUNCTIONAL/WEAK MATRIX STRUCTURE

A Functional/ (Weak) Matrix organizational structure, such as our client company had in place, works well when the focus is on quality and technical expertise. Under this structure, functional managers are responsible for products created within their areas of expertise. The downside: In the company on which this case study was based, it just wasn't working. And their experience was not uncommon. The functional-based organization structure tends to undermine the authority and decision-making capability of project managers, making project success more difficult.

The functional or weak matrix form of organization does have some advantages. In this case, first of all, it was the currently existing state in the client organization. Change is always traumatic in organizations and, to the extent that we could preserve existing processes and systems, the upheaval-and resistance to it-would be minimized. Functional "stovepipe" organizations take a beating in discussions of optimal organizational structure, but the fact is that they are familiar to people, and thus comfortable for them. In addition, within this structure, IT and IS departments are fully empowered to complete isolated projects within their own "stovepipes." The client organization already possessed well-established communications processes and authorities within the functional areas. From a purely logistical point of view, the staff work locations were already centralized around functional department assignments, making information sharing among team members more straightforward.

There are also serious drawbacks to this organizational structure, however. For instance, communications and decision-making processes existed outside the program structure, contributing to schedule and budget issues. For the same reason, true accountability rested outside the programs, somewhere in the traditional hierarchy of the corporation. For example, executive functional management, who were in fact somewhat removed from the actual conditions of the programs, made all the important decisions. Budget and contracting authority was reserved for the CIO level. Under this very traditional structure, only formal authority-something the project managers did not have-was recognized as a source of power.

The client organization had made some strides in moving past a purely functional hierarchy, towards a matrix organization. A Project Management Office (PMO) had been implemented the year before my involvement began-a year after the program was launched. Unfortunately, this meant that proper attention had not been paid to project management issues during the initial planning stages of the program.

Instead of creating a PMO to manage the program, the existing program was inserted into a PMO. However, since the PMO lacked authority for decisions and communications, accountability was problematic. As an example, program budgets and staffing decisions were made within functional organizations, not within the programs themselves and resources were not accountable to programs for deliverables.

Programs were initiated by functional departments, making any kind of strategic alignment or project prioritization (portfolio management) problematic. And because project teams within programs were organized by functional department, not by deliverable, the physical and organizational barriers between project teams impeded communications.

THE OTHER EXTREME

The Project (Strong) Matrix organization, at the other end of the organization-structure spectrum, works well for crash efforts, where the focus is on cost and, especially, schedule. These types of project-based organizations are sometimes nicknamed "Skunkworks" after the Lockheed-Martin aerospace project that made this approach famous.

The Strong Matrix is an organizational form beloved of project managers and organizational design theorists. To be sure, this model offers many advantages from the project management standpoint:

- It concentrates complete authority for decisions affecting a project or program within the project or program itself, which simplifies decision-making.
- Program budgets and staffing decisions are made within the programs.
- Staff members have a single manager to please and answer to.
- Resources are accountable to program for deliverables and performance.
- Clear communications paths exist.

However, in the real world of our client organization, the Project/Strong Matrix model carried several disadvantages. Limited resources in certain key technical and business areas meant that there simply were not enough people to create dedicated program or project teams, and it was deemed too time-consuming to recruit and/or train additional staff. The existing staff was in dispersed geographical locations with staff not able to relocate. All in all, moving to this form was just too drastic a change for the organization.

THE MIDDLE GROUND

Thus, our choice in establishing a more project-friendly environment was the "Balanced Matrix" structure. This structure strives to hit all the bases. Cost, schedule and quality are considered of equal importance. The balance between these considerations is achieved through continuous negotiations and trade-offs. Given the resource limitations existing within the client organization, we deemed it the best model as well as the most practicable, despite certain inherent disadvantages, such as the need for increased communications and resource negotiations between project managers and functional managers, the added complexity in status reporting and staff management activities, and the need for modified roles and responsibilities in IT and business functional departments.

The most significant impact of the new model was the extent to which we revised Roles and Responsibilities. IT functional management now shared joint staff management with program management and had to coordinate with program management in the areas of standards and process implementation. Business functional management also shared joint staff management with program management.

Program management staff had far more "hands-on" involvement in program activities, as well as increased accountability for staff performance and coordination of related issues with functional management. Program Team Members now had multiple managers with whom to coordinate absences.

TRANSITION STEPS

1. **Assign Project Managers.** We introduced project managers from the PMO to replace functional managers with project management responsibilities, except in those cases where we retained functional leads as part of matrix. We did this when the department managers or supervisors were the ideal choice for supervision project activities because they were the strongest technical person in that area. Once the project leaders were assigned we identified deliverables and associated accountabilities for each project team.
2. **Re-define Roles and Responsibilities.** We established a policy statement and matrix document that clearly identified the project manager and functional manager roles and responsibilities.
3. **Revise Resource Staffing Processes.** By involving functional management in project initiation activities-recognizing that functional managers often have the best insight into the skills and limitations of staff members-we made the process of assigning resources to roles more collaborative. We also instituted a formal requisition process for internal resources.
4. **Revise Performance Management Processes.** We implemented revised performance management processes. Project managers were added to the performance development process training classes and required to provide periodic performance-related information to functional managers. At the same time, functional managers now shared individual goals and objectives with project managers, seeking to align project assignments with objectives. Functional managers continued to administer performance development processes.
5. **Establish a Communications Plan.** We developed a comprehensive program communications plan identifying who reports what to whom, and when. We acknowledged the information needs of the functional management team by including them in the communications plan. Project websites were established to facilitate communications.
6. **Obtain Senior Executive Support.** Senior executive support for changes was secured. We instituted an active steering committee. In addition, we established clear support at the CIO level for the Program and Project Manager roles and their authorities. These steps ensured alignment of functional and program goals: functional managers support the programs, which in turn implement the business goals.

LESSONS LEARNED

The matrix organization will meet resistance; plan for it.

Lesson #1 - Program Organization. Make deliberate decisions about program and project organization when chartering the program. Determine the important constraints for the program, know the different organizational structures available and deliberately select the one that best fits your situation. Consider geographical locations when forming teams; try to maintain team integrity within a single location.

Lesson #2 - Roles & Responsibilities. Clearly define the roles and responsibilities of all vested parties, including functional managers providing resources to projects. Obtain agreement and sign-off on individual roles and responsibilities as part of each project chartering activity.

Lesson #3 - Communications Plan. Develop a comprehensive plan that considers communication needs both inside and outside the program. Consider horizontal communication flows in addition to vertical communication flows. Do not ignore the information needs of the organization as a whole.

Lesson #4 - Continuous assessment. Reinforce the transition by continually monitoring the processes and climate of the organization. This is an ongoing challenge, not a one-time event. When a crisis arises, the organization will tend to lapse back into functional management accountability, as opposed to staying within program structure. Pay close attention to the communications and collaboration aspects of the program; reinforce use of the agreed upon communications plan. Remain sensitive to the communication needs of multiple geographic sites, if any.

You will need to provide continuous learning and reinforcement, since functional managers are still learning to include project managers in staffing decisions, while project managers are still learning to include functional managers in problem resolution activities.

Don't be afraid to change! Question how you are organized; make sure the status quo fits with the work that needs to be done. Maybe you won't change everything, but little regular tweak at organizational structure will keep it vital. Every six months or so, ask "Does it make sense today?"

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