2 Project Organisations

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Learning objectives

By the time you have completed this chapter, you should be able to:

☐ Understand how the project environment is influenced

☐ Recognize the main components of the corporate strategy model and how effective project management contributes to achieving strategic objectives

☐ Identifying critical project stakeholders and managing them within the context of project development.

☐ Understand the advantages and disadvantages of organising a project within a functional, project and matrix structure

☐ Discuss the roles of the Project Management Office (PMO).

☐ Understand key concepts of corporate culture and how cultures are formed.

2.1. Introduction

Today, project management practices play a crucial role in different industries and sectors. Project management is endorsed as an organizational strategic component that leads innovation, creates value and turns vision into reality. One way to understand projects is to view them as smaller, temporary organisations that are part of a larger, parent organisation. Typical of any organisation the project is influenced by a number of environmental factors, which includes the organisation that initiates the project, individuals participating within the project and individuals who have an interest in the project outcome. Before a project manager can begin to organise the work, the environment in which the project is operating must first be understood. The project manager must be aware of where the environmental factors originate. He or she must be able to identify

the project stakeholders and assess their potential to affect the project outcome. Furthermore, the project manager must appreciate how the project will fit within the parent organisation and how the project will be organised within the existing organisational constraints.

2.2 The project environment

The key to good project management is being prepared; this includes being aware of the elements that could influence and constrain the project success. The project environment comprises of all the influences that affect the project throughout its life cycle. Most of these influences are outside the control of the project manager and in many cases beyond the control of the organisation commissioning the project. Conducting an analysis of the environment that the project is operating in will enable the project team to be ready for any eventualities and will determine the critical decisions that the project manager makes. However, doing this at the early stages of the life cycle would generate the knowledge and information to possibly influence the environment in a positive manner. It is accepted that there could be a number of factors that could influence the project, but Slack et al, (2006) identifies four environmental areas for consideration. These are as follows:

■ **The geo-social environment:** This includes the geographical, climatic and cultural factors that may affect the project.

■ **Econo-political environment:** This includes the economic, government and regulatory factors in which the project takes place.

■ **The business environment:** The external environment in which the business commissioning the project operates. This could include industry behaviour, business competitors, suppliers and customers.

■ **The internal environment:** The environment of the individual organisation or group commissioning the project. This includes structure, culture, recourses and corporate strategy

2.3 Project stakeholders

PMI (2013, p. 30), defines stakeholders as "the individual, group, or organization who may affect or be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project, who may be actively involved in the project or have interests that may be positively or negatively affected by the performance of completion of the project".

Most projects, programmes and portfolios will have a variety of stakeholders with different, and sometimes competing, interests. These individuals and groups can have significant influence over the eventual success or failure of the work.

It would be very unlikely that all stakeholders groups would be in favour of the project. Some stakeholders may have a positive interest in the project and would normally seek to exert influence on the project to achieve a positive outcome. Other project stakeholders may have a negative interest in the project as its outcome would contradict their own personal objectives, beliefs or strategy. These individuals or groups would oppose the project and exert influence in a negative manner. In any respect, identifying and understanding the objectives of the various stakeholder groups should be one of the first priorities for the project manager.
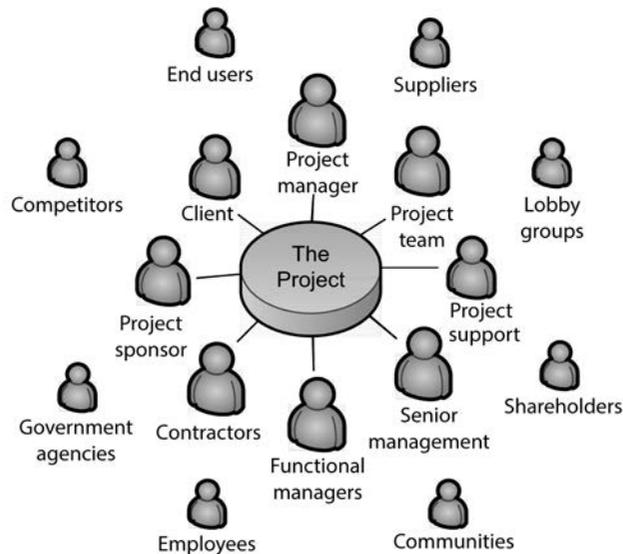

Figure 2.1: Typical internal and external project stakeholders

As shown in Figure 2.1, project stakeholders may be either internal or external to the **project organisation**. The project organisation is the temporary organisation established to manage the project. This differs from the **participating organisation**, which is the organisation who has commissioned the project.

◼ 2.3.1 Internal stakeholders

Internal stakeholders are those stakeholders within the project organisation who play an active role in the development and implementation of the project. Besides the project manager, typical internal stakeholders include: