

'SHE'LL BE RIGHT MATE': ORGANISATIONAL STRUCTURE AND THE CULTURAL POLITICS OF LEARNING AND CHANGE AT AN AUSTRALIAN BUSINESS ENTERPRISE

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Abstract

This paper reports on research into the introduction of a strategic *project management office* and *project selection methodology* into a large, hierarchically and functionally structured organization in Sydney, Australia. Initially, the logic of the new work practices led to little resistance to their introduction from executive managers. However, as the implications of these practices for existing power relations became apparent, resistance to them grew, especially amongst line managers. Six months into the process, amidst rising levels of resistance to these practices, the leadership of the organization reverted to traditional practices in spite of the significant business benefits that had been gained from the new practices. In its analysis of the research, the paper raises the issues of organizational structure and culture as a critical leadership consideration with respect to organizational change and learning. It concludes that failure to transform work practices, and other key aspects of an organisation's operation, is one consequence of the inability of leadership to understand the relationship between organizational structure, cultural politics, and an organization's ability to implement mission-pertinent strategy.

Keywords: organisational learning, organisational leadership, organisational structure, strategic project office, project selection methodology.

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ABSTRACT

This paper reports on research into the introduction of a strategic *project management office* and *project selection methodology* into a large, hierarchically and functionally structured organization in Sydney, Australia. Initially, the logic of the new work practices led to little resistance to their introduction from executive managers. However, as the implications of these practices for existing power relations became apparent, resistance to them grew, especially amongst line managers. Six months into the process, amidst rising levels of resistance to these practices, the leadership of the organization reverted to traditional practices in spite of the significant business benefits that had been gained from the new practices. In its analysis of the research, the paper raises the issues of organizational structure and culture as a critical leadership consideration with respect to organizational change and learning. It concludes that failure to transform work practices, and other key aspects of an organisation's operation, is one consequence of the inability of leadership to understand the relationship between organizational structure, cultural politics, and an organization's ability to implement mission-pertinent strategy.

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Introduction

This paper presents a study of a failed change initiative at a large Australasian financial services company (hereafter ‘the Company’). The change initiative involved an attempt to implement a *portfolio selection methodology*, within which the Company’s *project management office* would play a significant strategic role. In order to facilitate the reader’s understanding of these two concepts, a brief definition of each is offered before proceeding with the introduction.

A *portfolio selection methodology* (hereafter ‘PSM’) is defined as a methodology, or process framework, formalizing ‘periodic activity involved in selecting a portfolio, from available project proposals and projects currently underway, that meets the organization’s stated objectives in a desirable manner without exceeding available resources or violating other constraints’ (Archer and Ghasemzadeh, 1999: 208).

A *project management office* (hereafter ‘PMO’) is defined as an organizational entity that provides some or all of the following: *project portfolio and program management services* to senior decision makers, business unit managers and department managers (Marsh, 2001; Bigelow, 2002; Broadbent, 2003; Nash, 2002); *project management services* to project managers (Fleming and Koppelman, 1998; Block and Frame, 1998); and *knowledge management services* (with respect to project, program and portfolio management) to the organization as a whole (Bernstein, 2000; Marsh, 2001).

The change initiative was undertaken as an action research project and, therefore, included both *practice* and *theory* related objectives. The *practice related objective* was to address the Company’s over-commitment to projects which was resulting in slipping project deadlines and failure to achieve expected business benefits. The problem of project portfolio selection is one of several challenges faced by organizations operating in a multi-project environment (Archer and Ghasemzadeh, 1999). The *theory related objective* was to explore the role of the PMO with respect to the implementation and

operation of a PSM. In particular, an answer was sought to the question concerning the advantages to be gained from the PMO undertaking a strategic role by conducting investment appraisal of projects and making recommendations to senior decision makers rather than restricting its role to the administrative function of assisting project sponsors to complete business cases and other documentation.

The outcome of this change initiative was that in spite of proven financial and other business benefits, such as the achievement of a manageable portfolio of projects, after six months of operation of the PSM the Company retrenched its PMO and abandoned the PSM, justifying this action in terms of the reduction of a management overhead. The power of business logic, through which the PMO and PSM were introduced into the company, appeared to have succumbed to the power of personal and functional interests as the implications of these forums for the management of power at the Company became clearer to executive managers. As a consequence, an opportunity for mission-pertinent change and learning at the Company was lost.

The results of this research project provide strong support for a proactive, strategic PMO facilitating an organization's portfolio selection decisions. They also show, however, that the introduction of a PSM and strategic PMO challenges the relevance of the traditional functional hierarchy, and the power relations and cultural assumptions that underpin it, in a multi-project environment. As a consequence, the paper argues, the strategy of a PSM driven by a strategic PMO will draw strong resistance from managers of organisations with functional-hierarchical structures in spite of the potential business benefits that such a strategy offers multi-project organizations.

Survey of the Literature

During the 1990s, many businesses across a variety of industries chose to implement project management as a key business process within their organizations (Pellegrinelli, 1997; Van Der Merwe, 2001). The key driver of this decision was the belief that the

disciplines of project management would provide business with the necessary flexibility, responsiveness and techniques to survive in an extremely turbulent globally competitive context (Peters, 1992; Eskerod, 1996; Pellegrinelli, 1997). This gave rise to the multi-project environment where most of the work of a business is organized as projects; project management is the predominant business process for implementing strategy; and multiple projects are executed simultaneously (Platje, Seidel and Wadman, 1994; Scheinburg and Stretton, 1994; Eskerod, 1996; Van Der Merwe, 1997).

The multi-project environment has brought new, largely unanticipated, leadership challenges for which the discipline of project management has not provided solutions. As Pellegrinelli (1997: 141) states, 'the widespread use of projects, in some cases becoming the preferred or dominant business process, and their use in realizing strategic or complex change has brought with it the need to marshal project-based activity in some coherent beneficial way'. One such challenge is the problem of project portfolio selection: in a multi-project environment 'there are usually more projects available for selection than can be undertaken within the physical and financial constraints of a firm, so choices must be made in making up a suitable project portfolio' (Archer and Ghasemzadeh, 1999: 207).

Recently, some authors have argued that responsibility for various project portfolio selection activities should be assigned to the PMO. Bigelow (2002: 20), reporting on the results of a benchmarking forum of *Fortune 500* companies, states that '[a]ccording to forum attendees, the portfolio management tasks should be handled by the project office'. Broadbent (2003: 13), discussing the establishment of a project portfolio management process, states that '[m]any companies we spoke to use their PMO to help business units apply discipline. The PMO offers standard templates, trains people to develop preliminary proposals or business cases and even assists with the work'. Kendall (2003) advocates that the PMO should maintain comprehensive knowledge of all projects in a portfolio and should provide information to senior management so that the decision makers can determine whether resources are overloaded and projects should be

deactivated. Describing PMO maturity levels, Johnson (2001: 9-10) states that the executive level model of the PMO 'has direct oversight of all projects approved by the organisation as part of the strategic plan'. Nash (2002: 3), presenting a case study at the Allison Transmission Division of General Motors, describes a PMO with an expansive set of accountabilities:

First: Differentiate in the entire division project work from baseline (continuing operations) work.

Second: Status all projects in the entire project portfolio for operations that are currently approved using earned value metrics initially to be continued on a monthly basis.

Third: Create the list of projects under various filters for review, scoring and priority assessment.

Fourth: Assess the resources required to do all of the tasks on the list using percent of available or any other method that loads the required resource.

Fifth: Perform resource-smoothing scenarios on the critical resources.

There is no consensus, however, in the literature regarding the role of the PMO with respect to a PSM. Furthermore, no support could be found for the view that the PMO is the entity in the organisation best placed to implement its PSM and, with the exception of Nash (2002), that the PMO should undertake a strategic role in the operation of the PSM by performing investment appraisal and making recommendations to senior decision makers. Bigelow (2002) stops short of defining specific project portfolio management tasks to be undertaken by the PMO. Broadbent (2003), Kendall (2003) and Bartlett (2000) do define specific tasks, but these are limited to such administrative matters as assisting with the preparation of investment proposals and ensuring compliance with standards.

Research Methodology

An action research methodology was chosen for this study because the intention of the research was to facilitate change through a collaborative forum wherein participants would act and reflect on ways to improve their practices in alignment with their collective purpose at the Company. As action research generates knowledge claims for the express purpose of taking action to promote social change and social analysis (Greenwood and Levin, 1998), knowledge generation was a critical success factor in the research process. As with all ‘insider action research’ projects, the key challenge for the research facilitator was to ensure that the participative knowledge generation process developed new transparent power management processes that supported the mission of the Company and the objectives of the action research project (see Coghlan, 2003).

Specifically, the research aimed to generate the following knowledge forms (see Collins *et al*, 1989):

- *conceptual knowledge* regarding the challenges of the multi-project environment of the Company and the link between managing these challenges and success in the competitive global market.
- *procedural knowledge* regarding the effective operation of a PSM and functioning of a strategic PMO.
- *strategic knowledge* regarding managing change successfully in a multi-project environment through the wise deployment of the Company’s strategic resources.

The establishment of a Steering Group of executive managers to oversee the Company’s projects coincided with an invitation to participate in a collaborative action research project with the University of Technology, Sydney (UTS). The research, which was to focus on the introduction of a PSM at the Company, would be conducted as part of the Company’s everyday activities and processes and would be facilitated by the Company’s recently appointed PMO. In accordance with an action research methodology, the research was organized into cycles of planning, acting, observing and reflecting (McNiff

and Whitehead, 2000; Cunningham, 1993). The monthly Steering Group meeting was the forum at which decisions and actions required to implement change were reached and authorized. Between Steering Group meetings, observation, reflection, and collective interactive processes occurred whereby the decisions and actions of the previous cycle were evaluated. Collective planning for each Steering Group meeting was undertaken based upon members' observations, reflections and discussion since the previous meeting.

Ahead of each meeting, the research facilitator canvassed key issues with the stakeholder collective in order to ensure the collaborative approach to the research was upheld. These issues included the identification of decisions and actions required to implement further change and the determination of individual responses to any new information.

Data gathering techniques included participant observation, focus groups, semi-structured one-on-one interviews, analyses of company documentation, and forum discussions. Participant observation enabled the recording of day-to-day observations for diagnostic evaluation and reflection as the action research process unfolded. Observations were recorded in an 'Observations Journal' throughout the course of the research and these entries provided data for the analyses that informed the strategic direction of the implementation of the PSM.

Origin and Context of the Research

Prior to commencing the research project, the PMO delivered a discussion paper to the Steering Group reporting on a persistent and significant trend of slipping project deadlines, and consequently, failure to achieve the business benefits that were anticipated to derive from those projects. It was highlighted how the general perception at the time – that the Company faced a temporary “hump” of project work after which things were expected to be less demanding – was unhelpful because the hump was not being, and was unlikely to be, surmounted while the Steering Group continued to approve new projects.

An analysis of the extent and impact of slippage to project deadlines was presented. It was argued that this was due to over-commitment to projects and that this situation was becoming critical as more projects were approved without due consideration of the Company's physical and financial constraints. It was recommended that the Company should implement a PSM, in which the PMO would take a proactive role preparing and presenting analyses and recommendations to facilitate and enable the Steering Group's project selection decisions.

The PMOs recommendations were accepted by the Steering Group. Prior to this, the role of the PMO had been relatively limited and administrative in nature. It had no formal power to undertake investment appraisal or to analyse portfolio health, and its role was limited to a single person providing a coordination function for the Steering Group. Incrementally, however, the role of the PMO had been changing towards a more strategic function as the Steering Group requested new functions to be carried out by the PMO in order to assist it to manage various multi-project challenges. As an example, the PMO became responsible for undertaking analyses of portfolio health and making risk management recommendations. Similarly, as the PMO accumulated more information about projects over time it came to be seen, by default, as the Company's project knowledge repository. However, as a consequence of the introduction and gradual empowerment of the PMO, resistance to it was brewing within the IT function.

The Company's organizational structure consisted of five strategic business units (SBUs) focused on entrepreneurial activity within particular market segments and five functional silos that included the in-house IT department. The IT department was the area of the business primarily responsible for providing project management services to the organization and undertaking project work. It was structured as a traditional functional hierarchy, with sub-departments organized according to the categories of work that are generally undertaken during a systems development project – a project management group, a requirements definition and logical design group, a physical design and development group, and a testing and deployment group – with each sub-department

controlled by a line manager.

The First Action Research Cycle: Formal Adoption of the PSM

The PMO sought buy-in from key stakeholders to develop the Company's PSM. A sub-group of Steering Group participants was chosen to assist with the definition of the policy on the basis of their level of interest and perceived power within the Company. Agreement was sought in relation to the principles that should govern the PSM and, on the basis of this discussion, a draft PSM Policy was documented and circulated. This draft allowed change requests and/or suggestions to be communicated back to the PMO prior to the Steering Group meeting at which the PSM would be ratified. The draft policy defined the protocols and standards by which project requestors would seek approval for investment of the Company's resources in projects; the PMO would undertake analyses to determine draft project rankings based on project value and portfolio schedules based on constraints; and the Steering Group would optimise and confirm final project rankings and the portfolio schedule.

It was decided to introduce the new PSM policy by conducting a trial run of it for the Steering Group. This was a significant logistical endeavour to undertake at the same time as the policy was being developed. Templates and instructions for the compilation of the required information were developed and disseminated to all project sponsors, project owners and project managers. Coaching and follow up sessions were conducted to ensure compliance. Immediately prior to the Steering Group meeting, the required project information was collected and consolidated, and the necessary analytical tasks to produce recommended project rankings and portfolio schedule scenarios were completed. An agenda was prepared, all documentation was distributed and one-on-one discussions were conducted by the PMO to explain how the trial run of the PSM would be conducted.

The Steering Group Meeting

At the Steering Group meeting the new PSM Policy was delivered and the trial-run of the

PSM process was conducted, both with considerable success. While still relatively unfamiliar with the process, project requestors presented on the merits of their projects and plans for delivering them. The PMO facilitated a consideration of the draft rankings and draft portfolio schedule scenarios and the Steering Group, although with some initial confusion, settled upon an approved schedule of projects.

The Steering Group endorsed the PSM policy without amendment. To address examples of non-compliance by project owners and project managers, a resolution was passed to the effect that if project owners did not provide the financial and other information required as process inputs to the PSM then those projects risked being stopped. A number of favourable comments regarding the methodology were received. One of the executives remarked that they had grappled with the idea of 'prioritisation of projects' before but had never seen a methodology that worked so logically. Another executive stated: 'The Steering Group is at last doing what it's supposed to be doing'. On the other hand, one executive stated that he remained uncommitted to the process.

Reflection

The following business benefits were considered to have been achieved from the introduction and adoption of the PSM:

- improved returns from limited resources
- knowledge, derived through application of an objective standard of evaluation, regarding which projects are most critical to the future of the company and therefore which projects should receive the greatest focus from the Steering Group
- improved decision-making with respect to project investments – starting, stopping and delaying of projects
- a means of undertaking impact analyses, in terms of the value of future cash flows, with respect to the company's project portfolio.

Upon reflection during the weeks following the Steering Group meeting, three areas for concern were identified. Firstly, while the PSM had highlighted the resource competition that important projects would experience over subsequent months, no proactive decisions were taken to mitigate the effects thereof either by authorizing the procurement of more skilled resources or by staggering the projects in the portfolio schedule. Secondly, some statements at the meeting indicated that members of the Steering Group did not appreciate the fact that the core objective of the PSM was not only to choose the best projects but also to maximise the returns available from a finite resource base. As an example of this, at the conclusion of the presentations by project requesters, some participants assumed that the investment proposals had been accepted and that no further decision-making was required. The assumption appeared to be that projects could be selected on the basis of merit alone and that it was not necessary to work through resource constraints, consider portfolio balance and, if necessary, delay or cancel otherwise meritorious projects. Commenting on a project, one member claimed that ‘moving on this is a no-brainer’! Thirdly, some of the project owners and managers expressed the view that the new requirements were ‘just more red tape’.

The Second Action Research Cycle: The Way We Do Things Here

Fortuitously for the research, the Company had retained a consultant to identify strategies for reducing and controlling its discretionary expenditure and, in his final report delivered during the second research cycle, the consultant praised the PSM and recommended that portfolio selection be ‘institutionalized’ within the Company. Thus, the second action research cycle was focused on the objective of institutionalizing the PSM as a core operational principle guiding the management of projects. A slogan was chosen to present this message: *The way we do things here*. However, giving substance to this objective required the education of employees who would participate in the portfolio selection process, and in the creation of mechanisms to ensure compliance with the process.

In addition to facilitating the application of the PSM, the PMO sought authorisation to

conduct PSM training workshops for project owners and project managers; undertake project health checks and audits; conduct mandatory project kick-off meetings with project owners and managers to agree the application of project management standards and accountabilities; and to assist in the corporate budgeting and planning process for the upcoming financial year by providing PSM outputs to that process.

On the basis of the findings of the consultant, the Steering Group endorsed the need to institutionalize the PSM process and the CEO, in particular, championed the new slogan. Additionally, the Steering Group ratified each of the authorisations requested by the PMO except that related to assisting the budgeting and planning process. This provided an excellent indicator of the extent to which the Steering Group had incorporated the PSM into its way of thinking in that the last proposal was misinterpreted by them as a request that the PMO report on the benefits of completed projects. While the Steering Group was now able to apply the process to select a portfolio of project investments each month, they were not yet willing to allow it to influence their more traditional functions such as budgeting and planning.

International Projects

The need to ensure that international projects – projects that develop and deliver systems for foreign governments and institutions – are sufficiently resourced in order to deliver according to contractual obligations was at issue at the Steering Group meeting. The orthodox view at the Company was that international projects do not commence until a tender has been won and a contract has been signed to deliver a system. The PMO argued that the orthodox view should be abandoned and the tendering process for international projects brought within the scope of the PSM because, like all other projects, international projects relied upon the same pool of scarce resources. He contended that if the orthodox view prevailed and international projects remained outside of the PSM, then the Company would be accepting contractual obligations without knowing whether it had the capacity to meet those obligations, or to fulfil other mandatory obligations, or to execute other valuable projects upon which the Company's future cash flows depended.

It was resolved by the Steering Group that the procurement process for international projects needed to be mapped to the portfolio selection process. The PMO was charged with mapping the two processes and ensuring compliance from project owners and project managers for international projects.

Resistance from IT Line Managers

Soon into the second research cycle, the first evidence of political resistance from IT line managers appeared. A directive issued by line managers to project owners and project managers ordering them not to comply with PMO requests was reported to the PMO. These managers resented the PMO communicating directly with project participants rather than approaching them through their line managers and in one instance there was an angry refutation of the PMO's authority to undertake investment appraisal in support of the PSM. In addition to acts of passive resistance, such as not returning phone calls and email requests for resource availability, there were instances of reallocating resources from projects contrary to the work breakdown structures that had been signed off by the Steering Group.

The Third Cycle – Taking on the Existing Order

The third action research cycle attempted to address some of the resistance to the PSM and the PMO that had emerged. Given the endorsement of the PSM as 'the way we do things here', the PMO conducted a training workshop, firstly, for project owners and project managers who had projects currently under leadership governance, or who were likely to have such projects in the immediate future. The workshop was then repeated for their line managers. The workshop described the need for a PSM in a multi-project environment; the investment approval process, including how the procurement process for international projects mapped to the PSM process; and clarified the roles of the different participants the process, allowing workshop participants to simulate their roles by practicing the use of sample templates. Thereafter the PMO set up an intranet site where the latest PSM related information, standard templates, guidelines and checklists

were available for people to view, download and use.

The workshop for project owners and project managers was successful. Participants were inquisitive and responsive and gave positive feedback on the content and conduct of the training. A number of unsolicited expressions of gratitude were received by the PMO at this time. Project owners and project managers, realizing they possessed the delegated authority of the Steering Group within the scope of their project approval, committed to resisting unreasonable intrusions into their projects by functional line managers, especially with respect to the reallocation of resources from their projects to other initiatives. One project owner who had previously refused to comply with the submission requirements of the PSM approached the training facilitator at the conclusion of the workshop and committed to complying with the process in future.

However, the training initiative served to increase resistance from the IT line managers. The line managers raised objections to the concept of a 'project manager specific' session and attempted to attend it despite there also being a separate line managers' workshop with a focus more appropriate to their role. The workshop for the line managers failed to achieve its objectives, with two participants constantly undermining the process through interruptions; addressing the PMO and the training materials in a dismissive tone; denying that the portfolio selection process applied to international projects; denying the authority of the PMO to undertake its role; criticising the PSM process on the basis that it was 'prescriptive' and 'did not help projects'; and criticising the process by which the PSM was developed on the basis that it did not include the input of the IT line managers. This was despite the fact that these disruptive participants had been closely involved without objection in the original formulation of the PSM policy.

The PMO experienced two instances of non-compliance with the PSM during this period. In the first instance, the PMO advised a project owner that their project required re-approval by the Steering Group of its plan and budget as the result of a significant

technical scope change. Although there was strong initial resistance to this advice, this was resolved at the project managers' training workshop. In the second instance, the PMO advised a project owner that, while his project may have received Board approval, the commitment of specific resources required approval by the Steering Group in order to maintain the integrity and delivery schedule of the overall portfolio of projects. This issue was escalated to the management of the IT department who declined to enforce the PSM on the grounds that, in its view, the PSM did not apply to projects that had been approved by the Board.

Coaching Requestors of Investment Approvals

The PMO aimed to build on the training workshops by running coaching clinics for those intending to present investment approvals to the next Steering Group meeting, with the objective of creating PSM 'process experts'. This involved assisting project owners and project managers with the construction of work breakdown structures; facilitating the identification of available human resources with project owners, project managers and IT line managers; and reviewing draft documentation.

Losses and Wins at the Steering Group Meeting

Despite the extra preparation and analysis undertaken in relation to project investment proposals, an IT line manager present at the Steering Group meeting objected to the approval of the proposals on the basis that there was resource conflict with another initiative for which he was acting as IT Director. This contradicted the resource allocation decisions that had been provided to the project managers and owners through this line manager's direct reports. Furthermore, the rationale for the objection was untrue – the Steering Group had not yet approved a work breakdown structure for the other initiative so it could not be claimed that there was a resource conflict. However, the Steering Group approved the three project investments, subject to the resolution of any resource competition issues, and delegated the authority to undertake this analysis to the IT line manager. This outcome severely undermined the implementation of the PSM. The

Steering Group's decision, while possibly taken as a compromise, tacitly endorsed the IT line manager's assertion of control over resource allocation outside of the PSM and explicitly delegated prioritization and scheduling decisions to that line manager.

At this Steering Group Meeting the PMO delivered a discussion paper entitled 'Risky Business' which sought clarification regarding the application of the PSM where a project has been approved by the Board. The reasons for the application of the PSM in these cases provided by the PMO earlier in this cycle of the research – *viz* maintaining the integrity of the overall portfolio – were documented in the discussion paper. The Steering Group meeting endorsed the Discussion Paper.

The Fourth Action Research Cycle – Attempting to Break Through

Uncertainty had now been introduced to what were otherwise well planned and managed projects. It was unknown what impact this would have on project delivery across the portfolio or, subsequently, on the anticipated earnings before tax (EBIT) for the financial year. The project owners and project managers who had put much effort into ensuring that their projects followed the selection process expressed dismay when they were informed of the outcomes of the latest Steering Group meeting.

The PMO viewed this set-back as an opportunity to demonstrate to all the stakeholders the negative impact of non-compliance upon delivery schedules and benefit management. An attempt was made to meet and discuss this with the IT line manager who had raised the apparent resource conflict but this proved unsuccessful. Discussions with the sponsor, project owners and project managers of the three projects that were most directly impacted, were more successful. It was agreed that, in order to address the uncertainty that had been introduced by the Steering Group's decision, the project owners and project managers would proceed with their projects under the directives of the PSM until such time that a detailed work breakdown structure from the IT manager received formal approval from the Steering Group. The PMO advised that if resources were reallocated

from their projects by the IT line manager without Steering Group approval pursuant to the PSM, they should escalate that issue through the PMO to the Steering Group together with an estimate of the financial impact thereof on their project.

Exposing Planning and Management Deficiencies

Next the PMO conducted a planning audit of the non-compliant initiative that was the source of the current uncertainty. This audit confirmed that no work breakdown structure was being used to plan and manage the execution of work on the initiative. Furthermore, staff that had been ‘assigned’ to the initiative indicated that they were not working to a plan. While this initiative was described as a ‘program of works’, individual project streams had yet to be agreed, scoped and planned. It was envisaged that, contrary to industry definitions of program management, the work that comprised the program would be organized as a series of monolithic releases of system functionality rather than as several discrete but interrelated projects. The organisation of labour followed an assembly line approach, in which resources of each skill-set performed their work in isolation and sequentially rather than as cross-functional project teams.

Ahead of the next Steering Group meeting a conference was called with a number of senior managers to deliver the findings of the PMO. In response, a senior IT manager expressed the view that organising the program as a collection of projects, each managed by a project manager, would be prohibitively expensive. He could not be convinced otherwise by references to industry standards. Other senior managers were more receptive to the case put by the PMO and agreed that the issues should be tabled and debated at the next Steering Group meeting. An action item was tabled for the following Steering Group meeting whereby the management of the non-compliant program would present a work breakdown structure for the program.

The Fifth Action Research Cycle – End Game

By the fifth action research cycle, the quality of PSM inputs by project owners and

project managers enabled the PMO to develop graphical representations of data about projects in the Company's portfolio. These graphs proved to be powerful facilitation tools at the Steering Group meeting. For example, a scatter plot graph paired the characteristics of degree of variance from budget and degree of variance from schedule so that projects mapped to one of four quadrants in a matrix – *on time / within budget; on time / over budget; over time / within budget; or over time / over budget*. This was used to assess portfolio health and identify risk more effectively than was possible previously using only raw data.

Consequently, the Steering Group meeting rigorously queried estimates of project costs and economic benefits. It determined, for example, that one project had mistakenly presented gross benefits as net benefits, thereby significantly altering the cost/benefit equation, and refused to approve the project. This was the first time that such action had been taken.

However, the management of the non-compliant program of work failed to submit the requested work breakdown structure. No action was taken by the Steering Group.

End Game – the Power Struggle Erupts

With the completion of a number of projects and the decision not to approve any new project investments, the corporate project portfolio was finally looking manageable by the fifth research cycle. At this time there were twelve major projects in progress compared to the twenty-five that were in progress when the PSM was first introduced. While the PSM and PMO had not reached full maturity, the introduction of rigour and transparency to the selection of new projects had significantly curtailed *ad hoc* decision making and had limited the role of personal and departmental agendas in project approval. However, towards the end of the fifth action research cycle, it became clear that a power struggle was erupting at the Company. A number of IT line managers strongly articulated the view that the PSM and PMO impeded general managers from managing

their businesses and proposed a model where IT resources would be permanently 'allocated' to each business unit so that the general managers did not need to go to the Steering Group meeting.

During this period the IT function introduced a new project management methodology to be followed by IT staff. Through this action senior IT managers sought to entrench within the organisation's processes power relations that favoured line managers over project managers. The new methodology was developed with negligible input from project managers and introduced a reporting structure that followed functional lines rather than a holistic streamlined project-based view whereby the line managers from the various functional areas were each required to report on the same set of projects. Now, in each of the areas where the project manager had accountability, one or more line managers had quality assurance or review power which amounted essentially to the power of veto. The power to decide whether to proceed to the next phase of a project now lay with line managers rather than the project manager. Similarly, the approval section of the Project Charter template – the document that purported to define how a particular project shall be undertaken – required sign-off by each of the IT line managers but not by the project manager.

In the same month that the fifth action research cycle concluded, the Company announced the retrenchment of the PMO, on the grounds of reducing a management overhead. Without the PMO to drive it, the PSM was from that point no longer operational.

Discussion of Research Outcomes

Despite the failure of the implementation of the PSM, the research project yielded three reasons why the PMO is the entity in an organisation that is best placed to implement its PSM and to undertake a strategic role in investment decisions and appraisal. Firstly, this approach elevates decision making about resource deployment from the tactical concerns

of lower-level line managers to the strategic concerns of the senior decision makers. Secondly, the PMO is more likely to apply portfolio selection with impartiality and in the strategic interests of the company because it is not aligned to any particular area of the business. Thirdly, in this role the PMO is able to facilitate and enable the cross functional integration required to manage the challenges of the multi-project environment.

Political and Cultural Barriers to PSMs and Strategic PMOs

The research also shows that the introduction of a PSM and strategic PMO challenges the appropriateness of the traditional functional hierarchy, and the power relations and cultural assumptions that underpin it, in a multi-project environment. This finding concurs with research on the structural inhibitors to the introduction of cross-functional project teams in organizations (Bishop, 1999; Alsène, 1999; Payne, 1993). The basis of cultural and political resistance to cross-functional project teams is described by Bishop (1999: 7) thus: ‘in many cases, the culture of the firm encompasses decades of established business practices and formal functional reporting structures and it is not a trivial task to realign ... going to a team culture could be personally counterproductive for [it’s] leaders, who are the very people who need to sponsor the activity to change the organizational culture!’. Furthermore, Alsène (1999: 374) explains that ‘none of [the] ‘permanent’ forms of organization is truly inclined to make room for temporary structures of the project type. In other words, the implementation of a project structure represents, in nearly all enterprises, a deviation relative to the existing order ... there are strong pressures within enterprises for new projects to be carried out by the existing organizational structure. All the parties concerned fear the establishment of these temporary autonomous structures (loss of influence, reintegration difficulties, etc.) and have no desire to change their habits’.

The implementation of the PSM and strategically focused PMO at the Company met with precisely this kind of cultural and political resistance. IT line management clearly perceived greater advantage for themselves and the IT function in maintaining and strengthening functionally-based reporting, rather than embracing project-based

reporting, even though this resulted in a less satisfactory business outcome for the Company. Viewing project resources as 'their' staff, IT managers found it difficult to accept Steering Group control over resource allocation and resented the role of the PMO in enabling and facilitating this transition. The PSM (and the strategic PMO that enabled and facilitated the PSM) provided project teams with a significant degree of autonomy and self sufficiency and gave them scope to operate outside of any particular functional silo. Thereby, it undermined the traditional role and power base of the IT managers.

In his analysis of line managers' resistance to the introduction of cross-functional teams, Payne (1993: 239) describes how these managers attempt to reassert their influence and to steer projects back to their preferred assembly line model:

The functional managers want to know what is going on as they perceive a diminution of their status and influence when a Project Manager is given control over 'their' staff. They therefore want to attend all the meetings, to make sure they are not losing out in some way.

Similarly, Bishop (1999: 9) notes that the functional departments that control the resources and information vital to the success of cross-functional teams 'can and often do sabotage the efforts of the cross-functional team'.

These descriptions accurately cover the behaviours experienced during the implementation of the PSM. The IT line managers attempted to reassert their influence by challenging 'project manager specific' training workshops and embedding, within a new project management methodology, functionally-based reporting, power of veto over project managers, and functionally-based project phases. Sabotage of the PSM implementation also took the form of reallocating resources contrary to Steering Group decisions; challenging the role of the PMO; disrupting training workshops aimed to build PSM related knowledge; and, in disregarding three PSM approved projects on the basis of a resource conflict that did not exist.

Organizational Form and Knowledge in a Multi-Project Environment

This research questions the claim made by proponents of a matrix structure that such a structure ‘preserves the benefits, such as information sharing and continuity, of the functional-department structure while enabling cross-functional coordination on a project basis’ (Payne, 1993: 240). As an organizational structure that attempts to combine functional specialization and business product or project specialization, matrix structures superimpose a project structure upon an existing function-based structure and assign resources from vertical units to horizontal units (Hitt, *et al*, 1999; Van Der Merwe, 2001; Johnson, 2001). As this study shows, however, the functional hierarchical structure of the Company contributed significantly to the Company’s failure to generate the procedural and strategic leadership knowledge bases necessary for the successful introduction of new mission-pertinent work practices within its multi-project environment. Rather than providing the ‘best of both worlds’, as Payne (1993) argues, the Company’s attempt at a matrix structure was unable to generate alternative forms of knowledge to those required by the dominant functional specializations.

As such, the paper endorses the critical role of structure with respect to the cultural politics of strategy implementation (Handy, 1995; Schein, 1997). Functional hierarchies breed political cultures wherein positional power may well be used to protect vested personal and departmental interests even at the expense of the organization’s overall performance. The issue of organizational form in a multi-project environment thus remains a critical but unresolved strategic organizational leadership issue (Dell, 1999).

Conclusion

Knowledge about the effective integration of a strategic PMO, with respect to the implementation and operation of a PSM, in large organizations operating within a multi-project context, remains elusive. On the one hand, the emergent PMO and PSMs are effective responses to the challenges of the multi-project environment. On the other hand they are part of an insurgent cross-functional initiative that challenges, in a fundamental

way, the dominant functional hierarchical organizational form and hybrid spin-offs such as matrix structures. It seems that little progress on this front has been achieved since Eric Gabriel, in his closing address at the 12th *Internet International Expert Seminar*, lamented our collective failure to address this dilemma: ‘Multi-project control has been a topic in our congresses and seminars for many years. I don’t think we have ever really solved the severe problem of integration of multi-projects into traditional functional hierarchical organizations’ (quoted in Van Der Merwe, 1997: 224). As this study shows, one important reason for the persistence of this problem is the failure in organizations to recognize it as a *political* problem, concerning power management practices, rather than as a *technical* problem.

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