PROJECT BASED ORGANIZATIONS:
STRENGTHS & WEAKNESSES

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ABSTRACT

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BACKGROUND: Today companies operate in a market that increasingly is becoming global, and where technological development is advancing ever faster. Global competition, shorter product life cycles and constant reorganization of business puts increasing demands on companies and projects that are under their control. As a result of this trend more and more organizations in different industries are working on a project basis.

OBJECTIVE: To identify and address the strengths and weaknesses of project based organizations.

BOUNDARIES: Three business units within different companies will be analyzed in order to deduct a conclusion to the research question.

METHOD: A qualitative method has been used. The empirical material was analyzed based on theory.

RESULTS: A project based organization promotes higher flexibility in comparison to a functional organization. The organizational structure of a project based organization provides employees with interesting tasks and the possibility to work in and learn from cross functional teams. Although this has a negative impact on ones work life balance. A key weakness is the organizational integration, which includes: knowledge management, implementation of strategies and focus beyond projects, resource coordination and human resource management.

PROPOSAL FOR FURTHER RESEARCH: An in-depth study on how project based organizations promote innovation.

KEYWORDS: Organizational structures, Project organizations, Project based organization.
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1. **INTRODUCTION**

In the introduction to this bachelor thesis a background is presented. The background together with the problem discussion defines the purpose of this thesis. Limitation and organization of the thesis are also presented here.

1.1 **BACKGROUND**

Today companies operate in a market that increasingly is becoming global, and where technological development is advancing ever faster. Global competition, shorter product life cycles and constant reorganization of business puts increasing demands on companies and projects that are under their control. As a result of this trend more and more organizations in different industries are working as a project based organization. (Berggren & Lindkvist, 2001). This type of organizational structure will in this thesis be called project based organization. A project based organization can be considered a collection of projects running side by side within a company. The project based organization advocates flexibility and innovation without lowering the efficiency and quality. (Blomé, 2004). The project based organization is ideally customer focused, flexible and clear with what the relationship between business activities and the creation of customer value (Ljungberg & Larsson, 2001, p. 73).
1.2 PROBLEM DISCUSSION

According to Orwig & Brennan (2000), “Projects and project management are the wave of the future in global business. Increasingly, technically complex products and processes, vastly shortened time-to-market windows and the need for cross-functional expertise make project management an important and powerful tool in the hands of organizations that understand its use” (Orwig & Brennan, 2000, p. 351). If it is so, why do not businesses and industries base their business on projects?

Already back in 1983 did Mintzberg (1983) comment and say that complex and dynamic environments required an organic and decentralized organization. And studies show that project organizations are mostly appropriate when there is a large need for flexibility and innovation. (Blomé, 2004; Bresnen, Goussevskaia, & Swan, 2005). So are there only benefits with a project based organizational structure? No of course not, Hobday (2000) argues that the project based organization shows several weaknesses, such as: “in performing routine tasks, achieving economies of scale, coordinating cross-project resources, facilitating company wide technical development, and promoting organization-wide learning” (Hobday, 2000, p. 871).

A project based organization adheres to the dynamic environment and produces results at the request of specific customer need. (Söderlund, 2005). Therefore those who advocate the project as an organization form, emphasize the characteristics that the project have, in terms of, flexibility, adaptability, efficiency and opportunity for creativity (Svensson & Von Otter, 2001). They further argue that when requirements for renewal and flexibility increased in the business world, project based organizations became a necessity. Although this necessity has caused some tension due to the corporations desire to use control at organizational level. Too much control would mean putting limitations on the project teams, which would be counterproductive to the cause of having a project based organizational approach. (Dirk Pieter van Donk, 2008). Yet without the control at organizational level, teams power and freedom might be too high and lead to cost and time overruns. This is something that has been noted in recent decades, a number of significant delays and cost excesses when it comes to projects. This has sometimes led to the project being canceled. (Fleming & Koppelman, 2000).

In response to the increasing demand for flexibility and innovation, the intensity of using projects has increased. Many companies are focusing more and
more interest at the relatively complex activity consisting of organizing and controlling the number of parallel ongoing projects. There are a numerous researches involved in studies of project environments and the empirical material is vastly growing. Companies continuously have a need to improve their organization and governance in this environment to keep up with the trend. These are just a few conditions that characterize a project based organization, and give it both strengths and weaknesses in relation to other organizational forms. This thesis goal is to bring clarity to questions about the project based organization: What are the Strengths and Weaknesses of project based organizations? And how can they be addressed?

1.3 PURPOSE

The purpose of this thesis is to describe and increase the understanding of the strengths and weaknesses of project based organizations and its rapid approach into our business environment. The target audience is interested students, postgraduates, researchers, managers, practitioners and others with an interest in the related area.

1.4 LIMITATION

To work on project basis is a popular organization form in several industries. This thesis is limited because one is not able to deal with project businesses in all industries. Three companies from different industries will be studied, The Linde Group, Ernst & Young and The Nielsen Company, in order to interpret and form a conclusion to the research question.
1.5 **Organization of Thesis**

This thesis is built on five chapters:

- **Chapter 1, Introduction**
  This chapter describes the research background, problem discussion and the purpose of the research, followed by limitations and finally an outline of the thesis.

- **Chapter 2, Methodology**
  This chapter explains the research philosophy, research approach and research strategy when collecting the data; additionally it clarifies the data collection and credibility criteria when conducting a research.

- **Chapter 3, Literature Review**
  This chapter clarifies in detail the literature on project based organizations.

- **Chapter 4, Empirical Findings and Analysis**
  This chapter presents and interprets the results of the empirical research.

- **Chapter 5, Conclusion**
  This chapter presents the findings of the thesis. Implications for theory and practice as well as recommendations for future research are drawn.
1.6 DEFINITIONS

**Competitive Strategy.** A strategy that strongly positions a company against competitors and gives that company the strongest possible strategic advantage. ("competitive strategy", 2009)

**Human Resource Management (HRM).** In its broadest sense, *human resource management* is a widely used term coined to encapsulate management policies and practices concerned with the supply and utilization of the labor resource required for the firm to meet its commercial objectives. To do so, the employer has to be able to compete within the labor market and meet basic requirements of social legitimacy relevant to the society in which the firm is located. The employer needs to be able to attract and keep labor and ensure that labor power is utilized for productive purposes relevant to its business objectives. It is by no means certain how best to proceed in this endeavor. This uncertainty in the context of inevitable resource constraints—whether financial, cognitive, or the capacity for control—make both the meaning and practice of human resource management difficult and ambiguous. (Purcell, 2007)

A **Portfolio** is a collection of projects or programs and other work that are grouped together to facilitate effective management of that work to meet strategic business objectives. (Alversson & Sköldberg, 2000, p. 30)

A **Project** is a temporary endeavor undertaken to create a unique product, service, or result (DyReyes, 2008, p. 31). Additionally, according to Gareis (2002) a project consists of specific and unique data with a defined set of resources, objectives, and life cycle. It is designed to meet a particular need or purpose. Projects can be unique or recurring, large or small, but they are all connected with each other when they at least use some resources from a common resource pool. Each project has a project team with a manager and experts from either internal or external areas. (Gareis, 2002). (See Appendix 8 for further explanation).

**Project based organizations (PBOs)** are highly decentralized and build their core business on autonomous project teams with finite project life spans. The core business focus differs in comparison to the functional or matrix organization because in the PBO the project is the primary unit for production. A project
based organization can either refer to an entire firm, network of firms or a consortium of firms. (Thiry, 2008). A characteristic that defines a PBO is according to Bredin (2006) the high amount of educated and skilled employees in the project teams. Bredin (2006) mentions, “the employees and their competences become the main competitive advantage, which implies that also the work situation of single employees becomes a critical strategic competitive factor” (Bredin, 2006, p. 5).

**Project Management (PM).** Project management is a collection of loosely connected techniques, which are used to plan, implement, run, and bring projects to a successful conclusion. ("project management", 2008). According to Humphrey (2002) all successful projects share a number of similarities. He argues that features that characterize projects that have been successful, are that they have been clearly defined of what must be done, well organized and have had a good overview with regard to their budget limits and time schedule. DeReyes further argue that PM supports the implementation of an organization’s competitive strategy in order to produce a wanted outcome (such as high-quality products, low-cost products and fast time-to-market). It is one of the key business processes that enable companies to implement value delivery systems (DeReyes, 2008, p. 31)

A **Project Manager** is the person responsible for managing a project. (DeReyes, 2008, p. 31).
2. **Methodology**

The purpose of this chapter is to present the thesis’ methodology. Here the methods used to conduct the research are described and analyzed. Initially the concept of research philosophy followed by research approach and later the research strategy used to collect the data will be discussed and argumentation for the chosen method will be made. Finally the data collection methods and credibility criteria will be presented. This is to give the reader a greater understanding of the thesis’ approach.

2.1 **Research Philosophy**

There are numerous scientific theories that explain how to deal with problems; positivism and hermeneutics are two of them and each other’s opposing opinions. The interest of this thesis is to describe and increase the understanding of the strengths and weaknesses of project based organizations. This is something that would not have been possible to implement if the ideas of a positivistic approach was used. Therefore, has this thesis been guided by a hermeneutic approach, which requires a greater closeness to be able to observe interpretations and beliefs that individuals possess. It also gives a richer information base, which the positivism approach might not have been able to contribute to.

Positivism is a perspective based on scientific thinking and guided by its five principles. Positivism embraces that the only accurate fact is the one based on sense knowledge and positive authentication. Supporters of positivism argue everything can be explained and traced to specific legislation and regulations (Alversson & Sköldberg, 2000). Positivists want by formulating a theoretical approach, try this in reality. Historically, the criticism about positivism is due to its universalism approach. Today, practitioners acknowledge the interference effect of observer bias and structural limitations. (Ghauri & Grønhaug, 2005). Alversson & Sköldberg (2000), criticize positivism due to ones pre-understanding of the subject and the effect on the observation it has, and argue therefore that it is impossible to separate theory and empiricism as a researcher.

Hermeneutics represents the humanistic perspective and see knowledge as something that can be obtained from the interpretations of people’s fates. The main
theme in Hermeneutic is, “the meaning of a part can only be understood if it is related to the whole” (Alversson & Sköldberg, 2000, p. 53). Furthermore hermeneutic sheds clarity about the texts under investigation, addresses interpretations and helps understand bias. The patterns of interpretation are essential because in research it is important to clarify the examination of phenomena and to understand how bias affects research. These patterns of interpretations help understanding because they provide arguments to support or criticize an interpretation. (Ghauri & Grønhaug, 2005). Bias of researchers refers to the “distorting the information” (Alversson & Sköldberg, 2000, p. 70). Bias comes from the researchers since they are the “primary instrument in qualitative research” (Merriam, 1998, p. 22). “All observations and analyses are filtered through that human being’s worldview, values, and perspective” (Merriam, 1998, p. 22).

The objective of today's hermeneutic research is to decipher and understand. In hermeneutics one cannot distinguish facts from opinions and value judgments, as well as, it is impossible to engage in impartial research. Furthermore Alversson & Sköldberg (2000) argues that a hermeneutic approach emphasizes that it is not interesting in study how the world is but rather how it is perceived and how it can be interpreted. This thesis is not trying to present an absolute truth but rather to give a deeper understanding; this is also the starting point for hermeneutic where the interpretation of the meaning is more important than an absolute truth. As science, the theoretical hermeneutic approach is a method for understanding and interpretation, moreover a description of the understanding and its conditions. In hermeneutics one develops pre-understanding and prejudices. If these pre-understanding and prejudices are illustrated this will increase the credibility of a thesis. (Alversson & Sköldberg, 2000).
2.2 Research Approach

The choice of reasoning need to be made from what kind of relationship we want to prevail between theory and empiric. There are three main choices of reasoning: inductive, deductive and abductive reasoning. The choice of research approach chosen for this study is the abductive. Reasons that spoke for an abductive reasoning was the author’s previous experience in leadership and organizational structures, as well as theoretical knowledge in the area. Acquiring more specific knowledge in and throughout the research is essential. It would also be hard to work and conduct empirical studies without any preconceived thoughts or ways.

Induction means that the researcher does not assume any grounded theory, rather studies the issue based on collected data and empirical data in the specific case. On this basis of this a theory is formulated. A disadvantage of this approach is that the researcher assumes their own ideas and beliefs; this might then stain the theory produced. (Dubois & Gadde, 2002; Ghauri & Grønhaug, 2005)

The deductive method is characterized by that it from the general principles and existing theories draws conclusions about individual phenomena. What is meant
by the deductive method is that the researcher begins with having a theory, collects materials and creates hypotheses from existing theory. Then, based on general principles, one draws conclusions. Deduction means that the researcher in advance has a theory about the reality. One advantage of this approach is that the research process becomes less colored by the researcher's subjective perception. The downside is that if the current theory is wrong, this will affect further research. (Dubois & Gadde, 2002; Ghauri & Grønhaug, 2005)

Abduction is a combination of deduction and induction. The first stage is characterized by being inductive. In this step a proposal is formulated for a theoretical deep structure. In the next step the researcher uses a deductive approach and tests the chosen theory on new cases. The original theory can then be developed into being more generalized. The advantage of this approach is that it does not lock the researcher as much as the inductive or deductive approach can do. The disadvantage is that the researcher subconsciously assumes from previous experience and can therefore rule out alternative interpretations. (Dubois & Gadde, 2002; Ghauri & Grønhaug, 2005)

2.3 RESEARCH STRATEGY

This thesis’ research strategy – qualitative method - is a direct outcome of a hermeneutic approach with an abductive reasoning. Using the abductive reasoning together with a qualitative method provides the opportunity of theory as base and starting point for interpretation and analysis. The purpose of a qualitative research interview is designed to obtain qualitative descriptions of the interviewees’ answers, in order to interpret its meaning. The intention of a quantitative method is to measure something and then generalize, while the qualitative method is not measurable or generalizable. A qualitative method is also strongly influenced by the researcher's own understanding. When using a qualitative method, one strives to gain deeper knowledge of any and all conditions. (Ghauri & Grønhaug, 2005). Additionally a qualitative method allows for gathering information throughout the whole progress plus following new leads (Ghauri & Grønhaug, 2005). A qualitative method is especially relevant when the problem has not been clearly defined or poorly understood.
2.4 **DATA COLLECTION**

The sources used to gather information can be divided into primary and secondary sources. The primary source means any source that is obtained during the project, such as interviews and questionnaires. Secondary data is data that already exist and which may have been developed for purposes other than the actual study, such as books, brochures and magazines. (Ghauri & Grønhaug, 2005)

2.4.1 **CHOICE OF COMPANY**

The intent to the choice of companies was to vary the industry and the degree of implementation of PBO principles. Their common characteristic is that they are all providing very customized and complex knowledge-based services to corporate clients.

Initially six companies had been selected and contacted for this research. The interest for these companies developed during my studies at the University of Hamburg. These six companies were suspected to have implemented PBO principles in some of their business units or in the whole company. For each of the six companies an initial interview with one manager or employee of the company was conducted, using the questionnaire in the appendix. To determine, in an unbiased and easy to communicate way, if the organizations really are (or are in the process of becoming) a PBO the initial questionnaire was designed with more general questions: Respondents were asked to which degree they use projects in their organization and if there had been any major organizational changes. Based on the answers to these questions three companies were eliminated from further analysis, as they had not adopted PBO principles. The respondents from the remaining three companies The Linde Group, Ernst & Young and The Nielsen Company then have been re-contacted with in-depth questions, based on their initial answers. The companies and respondents of the three in-depth interviews are described in the empirical chapter.

2.4.2 **SAMPLING**

As indicated above a selection of interviewees and their companies has been made. This has a major impact on the studies’ credibility and reliability. When choosing a
qualitative research method, selecting the respondents plays a substantial and vital part of the investigation, without the possibility of statistical generalization and representativeness that a quantitative approach contributes with. The respondents all have a graduate university education and have considerable knowledge and experience in their field. That they had considerable knowledge and experience in their field was a prerequisite in order to get more sophisticated answers. Because the qualitative interviews are about increasing the information value, and forming a base that contributes to a deeper and more complete understanding of what is being investigated. (Dubois & Gadde, 2002; Ghauri & Grønhaug, 2005)

2.4.3 Semi-Structured Interview

In this report, the author made use of qualitative interviews by creating an interview template (Appendix 3 & 4), although some questions have gradually been expanded and some completely dropped due to changing circumstances. Depending on the respondents' roles within the PBOs, the author has had to reformulate some questions. The author has primarily focused on meeting the interviewees in person and only used the telephone and Internet in order to add additional questions. To broaden the type of project monitoring, the author has chosen interviewees from several geographic locations. Moreover, interviewees with experience outside the realm of project based organizations were considered.

Merriam (1998), as well as, Ghauri & Grønhaug (2005) mention that collecting data for a qualitative study may be enormous and can be overwhelming. Accumulation of too much data is because we forget to take away the irrelevant (Ghauri & Grønhaug, 2005, pp. 202-4). Therefore one should summarize and analyze each interview, direct observations, participants in experiments, and documents and materials as soon as possible, to keep the freshness of information. The choice of interview method is also important to decide upon. The interviews are considered the core of qualitative research and evaluation. The follow up interview was conducted in an environment that the respondents knew and could feel confident in. After each interview the researcher immediately went through the information and made additional notes and summarization of each interview.

The choice of interviewees is one of the main criteria’s, so that the researcher gets important and relevant information. Because of this, the researcher needs to make
sure the selection of the project questions are accurate and decide who has the information required. The selection should be based on attitudes, opinions, knowledge, experience as well as other criteria important to the researcher. Similarly, the selection principle is to select interviewees who are different from each other, in order to get a broad and general picture from the interviews. (Ghauri & Grønhaug, 2005; Merriam, 1998). This is why as mentioned above the prerequisite was to have interviewees who had considerable knowledge and experience in their field.

There are different types of qualitative interview methods, structured, semi-structured and unstructured interview methods. By using a semi-structured interview method as done in this thesis one avoids the rigidity of the *structured interview* method and avoids the risk that it gets off topic as it might with an unstructured *interview method*. An interview also gives the opportunity to interpret body language. However, interviews can be expensive and time consuming to implement. Structured interviews build on pre-determined and standardized collection of questions; this type of interview is mostly used in quantitative research. The semi-structured interview is more comprehensive and builds on non-standardized collection of questions. In these interviews one follows a topic and questions may differ from interview to interview. There is also the possibility to ask additional questions to explore a specific research question more deeply. (Ghauri & Grønhaug, 2005; Merriam, 1998).

### 2.5 Credibility Criteria

The credibility criteria used below are to establish how believable the source of information is.

#### 2.5.1 Validity and Reliability

It is important that regardless of how one collects the data, that one critically examines it to determine how reliable and valid it is (Krippendorff, 2004). This thesis is built on a qualitative method, which means that the concepts of reliability and validity are difficult to apply. Because reliability and validity mainly are concepts associated with studies from a quantitative approach, while credibility and confirmability are more used in qualitative research (Ghauri & Grønhaug, 2005).
Validation is hard to apply, for the reason that it is a measure designed to see what was intended to be studied has been done so. That is to say if the problem formulation and the purpose have been answered. Qualitative studies are not focused on the statistical representativeness in the same way as in quantitative studies. Authentic and valid information is thus more difficult to obtain because of fewer representatives. However, the qualitative method provides closeness to the study, which may have contributed to the information received to have a deeper understanding than of a quantitative study. Although closeness may have caused various disturbances such as skepticism and selectivity of empirical subjects and theory, which may have affected the validity. Applying reliability in qualitative methods is difficult, because it is supposed to measure whether an approach has provided the same results and if it is to be applicable over different times and under the same circumstances. (Krippendorff, 2004). Krippendorff (2004) points out that one should continuously during the work critically process material to reach a sufficient level of validity and reliability. Results attained from this study can be seen as valid, replicable and reliable due to the consideration of the concerns previously discussed.

2.5.2 Methodological Critique

To reflect on the choice of methodology is important because this selection shapes and positions the thesis. The different methods advantages and disadvantages were taken into account. The abductive reasoning is distinguished from other forms of reasoning due to the fact that it attempts to favor one conclusion above others. This is done through the attempt of falsifying other explanations or by indicating the plausibility of the preferential deduction, all built on more or less questionable assumptions. The abductive approach may have contributed to miss approaches that could be encountered if the inductive or deductive approach had been used.

The qualitative method has several disadvantages. First, respondents represent only a portion of the total empirical field's view, given that only a few cases were studied. Secondly, the researcher contributed both the collection and analysis of data, which may have contributed to the researcher affecting the results. Subconsciously the researcher may have influenced the results interpreted in this investigation. Pre-understanding, perceptions and values may have contributed to some aspects being
highlighted and others not, because of ones own interests. This is also the case for qualitative interviews, where it is important to take into account that a positioning may occur from the researchers part. Therefore the interviewing may affect respondents consciously and subconsciously.

Qualitative methods generally use fewer interviews than quantitative methods. Given that only a limited number of companies have been used to describe the empirical basis, it must be taken into account that the results possibly would not have been the same if other respondents were interviewed. Respondents’ diverse backgrounds and experiences contribute to the overall material and its result.

2.5.3 Source Criticism

The sources used in this study have been both secondary and primary. Secondary sources means materials not taken from the direct source, resulting in a greater risk that errors exist than they do in primary sources. To critically examine the sources utilized is essential, to see from where those facts have their origin, who is the person behind the facts to understand the context in which the source emerged.

2.5.4 Ethical Issues

Ethics and moral responsibilities as a researcher are important aspects to consider. An interviewer has to weigh the risks, in relation, to its benefits, when it comes to choosing how to conduct the interviews. Structured and semi structured interviews are less likely to lead to the informant feeling that their privacy has been invaded. An open-ended session on the other hand gives the interviewer a greater leverage and freedom to explore answers more thoroughly, but also involves more risk. A good sense of ethics is also an issue when it comes to being an observer, especially if the ones being observed are unaware that they are being observed. Ethical dilemmas are a matter that a researcher might be confronted with. To have an adviser to discuss the matter with is a good thought. Bear in mind that the adviser only needs to know the circumstances, keep confidentiality high. Merriam gives three recommendations when it comes to what to consider before undertaking a research: (1) “Consider possible consequences of the research, (2) Present result with as little distortion as possible, while maximizing the potential benefits of the research and (3) take special care in disseminating the results” (Merriam, 1998, p. 218).
3. **LITERATURE REVIEW**

   *This chapter summarizes existing literature on project based organization. It puts project based organization into the context of other organization forms. Strength and weaknesses of project based organizations are discussed.*

3.1 **A FRAMEWORK: TYPES OF ORGANIZATIONS**

The purpose of this section is to describe a project based organization and compare it to other basic organization types: functional and matrix organizations. Many companies will not perfectly fit either of these definitions. Yet in most cases one will be able to identify the basic organization type that most closely matches a company’s structure.

3.1.1 **FUNCTIONAL ORGANIZATION**

A functional organization groups employees and activities by functions (e.g. marketing, engineering, finance). Each function is typically led by a function manager, who reports to the senior management of the company. A key advantage of functional organizations is that knowledge, skills and facilities for each functional area are consolidated. This promotes economies of scale. In addition employees develop in-depth functional skills. (Daft, 2007) This makes the functional organization well suited for mass production of consumer goods and other industries where specialization of functions and scale effects are key (Hobday, 2000). A main weakness of the functional organization is its rigid structure and low horizontal coordination (between functions). This makes it slower to respond to environmental changes and specific customers’ requirements. (Daft, 2007)
3.1.2 **Matrix Organization**

A matrix organization groups employees and activities simultaneously by both: functions and major cross-functional projects. In a balanced matrix organization authorities and responsibilities are shared equally between function managers and project managers. Function managers and project managers report to the senior management of the company. (Hobday, 2000) Generally employees in a matrix organization report to the functional managers. This leads to the key weakness of a matrix organization: Employees and resources are often torn between functional and project demands (Lindkvist, 2004). The main advantage of a matrix organization is the combination of faster market adaptation and flexibility via projects and cross-functional integration on the one hand and in-depth functional expertise on the other hand. (Daft, 2007)
3.1.3 PROJECT BASED ORGANIZATION (PBO)

Project based organizations are highly decentralized and build their core business on autonomous project teams with finite project life spans. According to Gareis (2002) the organizational strategy of PBOs is defined as “management by projects”. Project managers in PBOs hold a lot of power and typically report directly to the senior management of the company. The main advantage of PBOs is their flexibility. They allow quick adaptation to changing environments and individual client’s demands and support innovation. (Bresnen, Goussevskaia, & Swan, 2004; Mintzberg, 1983; Svensson & Von Otter, 2001). Therefore PBOs are most appropriate for businesses that face several complex tasks at once and have a fast changing environment. Typical businesses within this environment are high-technological and service providing corporations, which carry out knowledge-intensive projects (e.g. consulting, advertisement, law). (Thiry & Deguire, 2007). Hobday (2000) argues that PBOs are “probably best suited for large, risk-intensive projects, where resources have to be combined and shared with other firms” (Hobday, 2000, p. 892). One of the key challenges of project based organizations is cross-project coordination and making sure that projects are aligned with the strategy of the company. Also PBOs are weak where functional organizations are strong: building in-depth functional knowledge and economies of scale.
3.2 STRENGTH AND WEAKNESSES OF PROJECT BASED ORGANIZATIONS

As any major organizational change the transition of a company towards a PBO puts severe pressure on an organization. (Thiry, 2008). Therefore companies need to carefully weigh the benefits, risks and necessary actions before deciding on this type of organization. The purpose of this section is to highlight the key strengths and weaknesses of PBOs and how they can be addressed.

3.2.1 MEETING SPECIFIC CUSTOMERS’ SPECIFICATIONS

A project based organization has the ability to “lock in” the customer specifications and thereby focus on requirements that the customer has set up for the project. This is according to Dean and Bowen (1994, p. 394) a “crucial requirement for long term organizational success” (Orwig & Brennan, 2000, p. 356). The organization’s structure and business procedures are both flexible and reconfigurable, and are likely to change depending on the profile of the project, particularly the size, complexity, and length. (Hobday, 2000).

3.2.2 RESOURCE EFFICIENCY

Project managers in PBOs focus on the success of their project and therefore compete for resources (employees, budget, support functions). Hobday (2000) criticizes the structural characteristics of PBOs and mentions that in “coordinating processes, resources and capabilities across the organization as a whole” (Hobday, 2000, p. 892) the project based organization is weak. Lindkvist (2004) further argues that resource efficiency and innovation are conflicting objectives. On the other hand one can argue that PBOs have the potential to be very effective at managing projects, because projects are what they base their entire business on. Consistent and effective project management standards and methods are a strong driver for project performance. (Cooke-Davies, Crawford, & Lechler, 2009). Therefore establishing and implementing project management standards should be a priority of PBOs. To achieve this many PBOs have established a project management office. A project management office “is an organizational entity established to assist project managers, teams and management on strategic matters and functional entities throughout the
organization in implementing project management principles, practices, methodologies, tools and techniques” (Xiaoyi Dai & Wells, 2004, p. 524). It develops and controls project management standards and methods and maintains project historical archives. It provides project administrative support, staffing assistance, consulting, and project manager training.

### 3.2.3 Innovation

In project based organizations, cross-functional experts from within or outside the organization are brought together to form a team in order to solve a specific task. Inherent to diverse teams is potential conflict about procedures and problem solving approaches. If those conflicts are brought forward and made visible, they may however be of great benefit, as they can lead to new insights and ideas. The extent to which a project manager and the organization promote teamwork will influence the accomplishment of customer satisfaction and degrees of innovation. (Bresnen, Goussevskaia, & Swan, 2004).

### 3.2.4 Knowledge Management

The knowledge, capabilities and resources in a PBO are gathered through the implementation of projects (Hobday, 2000). With the focus on project success and constantly changing project teams comes the difficulty of collecting and documenting in-depth functional knowledge. Employees and project managers in PBOs often do not have sufficient incentives to document their learning. In addition those learning are often very context-bound and hard to transfer to new projects. (Lindkvist, 2004). Therefore the transfer of knowledge and experience to other projects is considered one of the most critical issues with project based organizations. (Bresnen, Goussevskaia, & Swan, 2005; Gareis, 2002). But how can this be addressed by PBOs? There is a conflict between freedom and cumulative learning in PBOs. The less standardized project issues and solution approaches are the more difficult it becomes to transfer knowledge and learn as an organization. Employees first need to known about the existence of their peers’ learning and then get access to it. (Lindkvist, 2004). To utilize project learning beyond word of mouth dynamics most PBOs have adopted an enterprise level project data IT system. (Thiry & Deguire,
However this still leaves employees to search for information that might be relevant for their project. To collect learning more actively some PBOs have established competence networks. The members of each competence network collect and structure in-depth learning for key technologies and processes of the PBO. (Lindkvist, 2004). But what is the right balance to distribute organizational learning and standards in a PBO? Donk & Molloy (2008) argue that too much control over projects and their procedures may drag the organization into a more bureaucratic form that suppresses innovation. Cooke-Davies et al (2009) even argue that the enforcement of too many standards is a key basis for project failure.

3.2.5 Human Resource Management

Adjusting the management of their human resources to the specific challenges that derive from the organizational structure is an important success factor for PBOs (Huemann, Keegan, & Turner, 2007). Overall human resource processes in PBOs need to support the strategy of “management by projects”. This includes constant reallocation of employees to project teams. When employees are involved in several projects simultaneously role conflicts need to be addressed and resolved. These conflicts can be so strong, that some PBOs have adopted a strict policy of dedicating employees to only one project at a time (Lindkvist, 2004). Teamwork, customer orientation, managing change and networking are important skills for employees in PBOs. Therefore PBOs should have an interest in training and promoting these competencies among their employees. Special attention should be paid to the training, selection and development of current and future project managers for the PBO. (Verzuh, 2003). Further the PBO needs to address all employees’ career advancement (Hobday, 2000). But who should hold the responsibility for employee development in the absence of function managers in the PBO? Some PBOs go as far as making the individual employees fully responsible for their utilization and growth within the company. Employees then need to “sell” their skills and knowledge to project managers, which have the authority to select the project team (Lindkvist, 2004). This self-organizing practice promotes initiative and employee performance. Yet it also raises concerns about ethical treatment and ensuring employee wellbeing in the dynamic environment of PBOs.
3.2.6 Aligning Projects with Strategy

Some authors argue that a project is not always subordinate to the strategy of a PBO but can sometimes shape the strategy of the entire PBO (Cooke-Davies, Crawford, & Lechler, 2009). In general however the PBO needs to make sure that the right projects are prioritized and implemented according to the overall strategy of the organization (Lindkvist, 2004). The concentration of power for a project manager in PBOs is very high (Dirk Pieter van Donk, 2008). Therefore strategic objectives of the organizations can easily be neglected while the project manager focuses on achieving project success (Lindkvist, 2004). As a result PBOs need to implement not only procedures of resource coordination across projects but also controlling mechanisms. Finding the right balance between sufficient control of projects and leaving project teams the freedom to operate (and innovate) as they best know how is a key challenge in PBOs.

3.2.7 Project Inherent Risks

PBOs inherit the risks that come with running projects. A quantitative evaluation of past projects done by Leach (2000) stipulates that about 30% of projects are cancelled before completion and that many surviving projects do not deliver the full original scope or sustain cost and time overruns. There is also the risk of negative practice, which lately has put a lot of pressure on managers to be accountable towards their stakeholders. They need to show how “the project risk, complexity, rules and regulations, cross border issues, project size and financial disclosure” (Lee-Kelley & Loong, 2002, p. 584) are accounted for. This higher accountability means less freedom for the team, which has a negative effect on the whole idea of project teams (Lee-Kelley & Loong, 2002). This view is also shared with van Donk & Molloy (2008) who view unnecessary control mechanisms on project teams as counterproductive. Although Svensson & Von Otter (2005) disagree and argue that uncertainty increases in projects the greater freedom is. General conditions that lead to a bad project outcome are changes to the project's principal purpose without revising the project plan, insufficient coordination of activities and lack of communication between representatives of the project. (Humphreys, 2002).
PBOs can overcome some of the limitations of the functional and matrix organizations: Due to the flexibility of projects, PBOs can better match individual customers’ needs. They are quicker to react to change and in a better position to generate innovative solutions via utilizing the advantages of diverse expert teams.

But these advantages come with a downside. The flexible and constantly changing structure of PBOs makes the organization as a whole more complex to manage. It is a constant challenge to balance the needs of the overall organization and its strategic objectives with giving each project as much freedom as possible. This includes conflicts around the allocation of human and financial resources between competing projects, and also shifting enough focus to longer term objectives beyond the scope of projects. Especially the management of knowledge across projects and the career development for employees are typical challenges of PBOs.
4. **EMPIRICAL FINDINGS AND ANALYSIS**

*This chapter presents the empirical material gathered via three in-depth interviews with employees of PBOs. The interviews are being interpreted in context of the theory presented in the previous chapter.*

4.1 **SELECTION OF THE ORGANIZATIONS STUDIED**

This paragraph gives an overview of the three business units (each part of a different company), which were studies via an in-depth interview among one of their employees.

4.1.1 **THE NIELSEN COMPANY GERMANY - CLIENT CONSULTING UNIT**

In a world increasingly defined by global markets, connected consumers and volumes of digital information, The Nielsen Company employs advanced data collection methodologies and measurement science to help businesses turn new and traditional sources of data into customer intelligence to better manage their brands, launch and grow product portfolios, optimize their media mix and establish meaningful customer relationships. (The Nielsen Company, n.d)

Nielsen is the world’s leading marketing and media information company, with worldwide headquarters in New York City. It is a privately held company that is active in more than 100 countries, with headquarters in New York, USA. It provides understanding of how consumers get information, consume media and buy goods and services. Nielsen’s ongoing commitment is to align the business with its clients’ needs to ensure they have a competitive edge in an expanding global economy. (The Nielsen Company, n.d)

The Client Consulting Unit of The Nielsen Company is organized as a PBO. Typically clients contact The Nielsen Company to help them with marketing research and decision support around one of their projects. This could for example be the launch of a new product, the re-positioning of a brand or the development of a portfolio strategy. The Nielsen Company then designs a consulting project around the
client’s needs. The interview at The Nielsen Company was conducted with a Manager from their German Client Consulting Unit.

4.1.2 Linde Gas AG Germany - Information Technology (IT) Unit

The Linde Group is an international industrial gas and engineering company founded in 1879. Linde is today a leader in the international industrial gases markets, providing on-site, compressed, bulk, specialty and electronics gases, as well as chemicals to virtually all fields of industry globally. Linde mainly has two prime business areas; gas (medical and industrial gases) and engineering. The company adds value to its customers’ businesses through the provision of state-of-the art application technology, process know-how, specialist services and a wide range of equipment and hardware. (The Linde Group, 2009)

The Linde Gas IT Unit supports the business of Linde Gas by providing day-to-day support to all IT users within the company as well as updating and introducing new software solutions. This includes the introduction of global business reports via customized SAP software solutions. (The Linde Group, 2009)

The Linde Gas IT Unit recently decided to transition their main business towards a PBO. The interview was conducted with an IT Specialist of the German Linde Gas IT Unit.

4.1.3 Ernst & Young AG Switzerland - Auditing & Assurance Business Unit

Ernst & Young is a company that ensures the quality of financial information and offer services in audit, tax advisory, transaction advisory, business advisory, risk advisory and accounting. The company also provides support and advice on risk management, IT risk, and financial and business management. (Ernst & Young, n.d).

Around the world, Ernst & Young Assurance with their 66,000 employees provides their customers with independent assurance. This helps to provide critical information for investors and other stakeholders as well as management. Ernst & Young auditing projects are built around a customized audit plan that concentrates on the business areas significant to the specific customer. They provide a tailored and yet
consistent worldwide audit by assembling experienced multi-disciplinary project teams and using a global methodology. (Ernst & Young, n.d)

Ernst & Young is organized as a PBO. Their main work are consulting and auditing projects, designed to fit their clients’ needs and legal requirements. The interview partner was a Senior Auditor from Ernst & Young’s Auditing business unit in Switzerland.

4.2 RESULTS

This section summarizes the findings of the in-depth interviews and interprets them in the context of the literature review: Are the theoretical characteristics, strength and weaknesses of PBOs, as discussed in literature review, being confirmed by the respondents? The original notes from the interviews can be found in the appendix.

4.2.1 IS THERE A REAL PBO IN PLACE?

The bulk of the PBO literature defines PBOs in a rather narrow way: project based work throughout the organization. But is this definition sufficient in practice? All three studied organizations run their main business project based. Yet they all keep functional support teams in place, such as Human Resource Management and Finance. The reasons are simple: They want to keep recurring support processes with little innovation needs within efficient functional specialist teams.

The Nielsen Company also keeps permanent customer representatives as a link between changing project teams and their biggest customers. It is part of their business strategy to have “one voice” to their clients. This allows them to better manage the often complex communication processes with their clients while still giving them the benefits of customized and innovative project based work.

Overall it seems that running 100% of a company or business unit on a project basis rarely makes sense. Therefore a somewhat wider interpretation of a PBO would be more useful: project based work throughout the core business of the organization, but typically supported by functional teams.
4.2.2 **Innovation**

None of the respondents mentioned that their project based work supports innovation. One reason is that innovation is typically not the main focus of individual employees, but instead more a strategic need of companies. Still, the fact that innovation was not mentioned at all in the interviews raises the question if PBOs do enough to support innovation and make their employees aware of its importance. After all innovation should be one of the main benefits of a PBO according to theory.

4.2.3 **Knowledge Management**

All three organizations have a central database to record and share project data. However they do not have formal requirements of what should be shared. Who should feed the database and with what? There are no systematic processes to identify record and share project learning. Relevant knowledge is mainly passed on informally via changing project team compositions.

At The Nielsen Company there are knowledge management specialists employed in a support function to help collect and structure project learning. But these specialists currently rely on the mercy of project team members to forward whatever they view as relevant to them. Also, there is no incentive for the project team members to take the time to record and forward learning, other than their name being mentioned in the knowledge management database. In addition the knowledge management specialists are challenged, because they cannot be subject experts in all areas that are relevant for the business. Therefore they will not always be able to identify if and where the collected knowledge will be useful. One of the key theoretical weaknesses of PBOs is being confirmed by respondents: The collection of in-depth expertise and knowledge management.

4.2.4 **Human Resource Management**

The international expansion of the Client Consulting organization at The Nielsen Company together with growing competitive pressures asked for a more flexible management of their key resource: consulting project employees. Clients increasingly demanded internationally experienced project teams and at the same time local
contacts. To meet this demand the project employees are now being sent on more international assignments. Where a project worker is at home is less relevant over where his/her skills and work capacity are needed the most. The management at the Nielsen Company frequently reviews and “evens out” the utilization of their project employees across different geographic regions. To allow for this international mobility The Nielsen Company makes sure that their project employees have the same basic training and use the same software and standardized project management procedures across different divisions and geographies. In addition they have local market specialists in each country, who join the consulting project teams in the respective countries.

For the project employees at The Nielsen Company the dynamic PBO environment not only demands high mobility, but also “cooperating with colleagues and clients from different cultures, market structures, languages and time zones.” And flexibility requirements do not stop with international project assignments. The team composition on projects also becomes increasingly flexible: Employees are often brought into other project teams for only a short while as topic specialists, just as long as their expertise is needed.

Overall The Nielsen Company seems to allocate their human resources very ad-hoc and demand based. While this would not be very efficient in some industries (e.g. mass market consumer goods manufacturing) it seems to be quite resource efficient from a company perspective for the highly individualized consulting business that they operate in.

The interviewee from Linde IT pointed out severe issues with employee resource management when Linde IT transitioned towards a PBO structure. Without the old functional managers the workload of employees was no longer formally controlled. The new approach was “When there are more projects than staff we work overtime”. As a result conflicts and frustration within the IT organization escalated. The management reacted and recently introduced a “resource steering committee that prioritizes projects and is led by our business customers”.

Even though all respondents mentioned the existence of some sort of employee resource steering committee they also all emphasized that “putting the job first and working a lot of overtime” is a basic success requirement in their organization. Work life balance seems to be a common downside of working for a PBO.
4.2.5 Aligning projects with strategy

At Ernst & Young an important performance metric for auditing project employees is the number of hours that can be charged to the client. Qualification is also being judged, but only by the project manager. The respondent pointed out that their individual success strongly depends on the subjective judgment of the project manager, whose primary concern is obviously the project success. Incentives for achieving more strategic goals beyond the scope of projects, such as updating legal expert knowledge, promoting integrity and maintaining client relationships are missing.

At The Nielsen Company several internal strategic projects have been implemented to ensure sustainability of the business, while still focusing on client project results: They realized that dedicated project team employees cannot be expected to also create significant new generic category, country and technological expertise. To still address the need for new in-depth insights The Nielsen Company systematically frees some project employees temporarily from all project duties and dedicates them to more strategic research and development tasks.

Overall the theoretical conflict between short term project success orientation and longer term strategic organizational goals was confirmed by the respondents. These conflicts can only be solved if PBOs put the right incentives for their employees in place, so that they shift some focus beyond current projects.

4.2.6 Challenges when transitioning a functional organization to a PBO

The respondent from Linde points out that functional support employees were strictly separated from project workers when the IT organization recently transformed to a PBO. With the main reason being the needs of the employees: Some employees were not ready to take on the required travel, irregular hours and initiative that the project-based work required. Those employees were moved to functional support teams, which seems like a good match with their needs. But they will have it hard to advance in the Linde IT organization, because their absence from projects means that they miss two of the main promotion drivers at Linde: informal networks through changing project team assignments and a track record of successfully completed projects. This
confirms the self-selection theory of Lindkvist (2004): In the longer run only employees who value the flexibility and dynamic environment of PBOs will remain and advance in these organizations.

When the Linde IT organization transitioned to a PBO it made it a point to let the internal customers from other parts of Linde drive the IT project specifications. This seemed only consequent, because better matching the individual needs of their customers is why the IT organization initially decided to transform to a PBO. But the non-IT customers were not ready to specify IT systems to the necessary level. Additionally the internal customers did not make IT project specifications a priority, as they had their “real business” to attend to. As a result both the internal customers and the IT project teams became frustrated: “Specifications are often unclear or contradicting. Better communication is needed…Problems are mostly political issues… There is not enough knowledge transfer between the customer and the (IT) team”.

The challenges of Linde IT when transitioning to a PBO are not surprising. According to (Thiry, 2008) the transition to a PBO is a major organizational change and thus should be expected to come with the typical implementation challenges of organizational changes. At The Nielsen Company and Ernst & Young a PBO is already established. But also within an established PBO organizational change remains challenging: All respondents experienced an initial increase in bureaucracy, somewhat slower work results and severe communication issues when major organizational changes were implemented. Re-organization meant that established communication channels no longer worked: “It was more difficult to find the correct contact person and to get a hold of him/her. The personal touch was lost.”

The conclusion from this is that a transition to a PBO is as risky and hard to implement as other major organizational changes: It needs detailed planning and clear assignment of responsibilities. Employees need to be involved throughout the process, to ensure their support for the new organizational structure.
5. **CONCLUSION**

This chapter presents the conclusions of the study and the research questions are answered. The findings are reported based on the study objectives. Furthermore, there is a discussion about the methods used in the paper. Finally, it presents suggestions for further research.

The overall aim of this study was to describe and increase the understanding of the strengths and weaknesses of project based organizations. The results of the study show that project based organizations have structural advantages, but that there is an uncertainty surrounding organizational integration, organizational learning and human resource management.

There is a need to rethink the definition of a PBO. It seems like there is no pure PBO. Instead companies choose the best of both worlds: In practice most PBOs seem to be backed up by functional support functions such as HRM and finance.

A project based organization provides more flexibility and ability to reconfigure to changing circumstances than for example a functional organization. The higher flexibility allows PBOs to meet specific customer specifications better than functional organizations. This is often why companies decide to have a PBO in the first place.

The PBO is resource inefficient for routine tasks such as mass consumer good production, where a functional organization is strong, no debate about that. Although what about complex constantly changing tasks? Is a PBO really resource inefficient for those? How would we measure that? Can functional organizations even deal with those tasks? Dealing with complex innovation intensive tasks is one of the reasons why companies put PBOs in place. Different authors argue that a PBO and project teams use more resources and are more inefficient than other organizations due to the lack of routines. But the very nature of the PBO is to deal with tasks that a functional organization is not equipped to handle. To state that a PBO is resource inefficient is a bit wage when there is no possibility to compare other than theoretically.

Further more, diverse teams and project organizations are supposed to support innovation, but no evidence in the empirical part has been seen. Is it really happening or is it just theory? This could be explored by further research.
A key weakness of PBOs is knowledge management. This is something that is confirmed by the interviewees. The project teams experience constant changes in working groups, high work intensity, deadlines, and then new projects. This is more and more how organizations look today, especially in knowledge-intensive organizations. Often there is no fixed model for collecting data and learning and how these should be structured, recorded and shared.

To date there is a conflict between the short-term thinking of project managers and their projects and a longer-term strategic thinking of the management. Cross project communication and resource allocation is a key challenge of PBOs, which also was confirmed by the interviewees. To address this first a unified way of project management, project reporting and project monitoring is needed. Second the PBO needs to use this information. A project-independent steering committee needs to prioritize projects based on the strategy of the organization and allocate resources (employees) accordingly.

PBOs are often missing sufficient workload coordination processes, especially when their employees work for multiple projects simultaneously. In practice this weakness seems to result in a weak work life balance of PBO employees, as was confirmed in the interviews.

Who should evaluate the employees' work and decide on their salary and career progression? In a PBO it is more difficult to see what people do in their daily work. Performance information must be gathered from project managers and team members, instead of being based on functional mangers evaluation. Further, when employees are shifting projects and there is a lack of monitoring, this raises concern about career development. Do PBOs require and self-select a special kind of (flexible) employees? More responsibility falls on the employee himself to remain employable and attractive in order to be asked to be part of the right project at the right time. Ones reputation becomes more important. When transitioning to a PBO not all existing employees may be suitable for the flexibility demands of project based work.
**Final method discussion**

This paper has been conducted through the means of a qualitative research, which was prompted by an extensive literature review. The choice seemed natural, as the complexity and intention of our study was to seek deeper knowledge. A different methodological choice had not allowed this. Below is a reflection of some of the other methodological choices used in this paper.

As for the theoretical study, throughout the study a critical distance has tried to be maintained to the subject, by constantly weeding out items that can be subjected as dependence and/or tendency criticism. The conscious selection among literary sources has probably strengthened the paper, since the theoretical framework provided the basis for this study. The decision to consult with established researchers in the subject at an early stage, to discuss the topic and the selection of literature has also had a positive impact on this thesis.
APPENDICES
APPENDIX 1: LETTER FOR SEMI-STRUCTURED INTERVIEW QUESTIONS

Dear Sirs/Madams,

This research is a part of a Bachelor (Degree in Business Administration, Financial Control) thesis at Linnaeus School of Business and Economics. The purpose of this research is to find out the strengths and weaknesses of project based organizations. In this research, the unit of analysis will be organizations using projects as their main organizational structure to derive a conclusion of my purpose.

All data is to be used for academic purpose and will be kept confidential.

Thanks for your participation and cooperation.

Respectfully yours,

Martin Skogmalm

Linnaeus university, Student, 2010
APPENDIX 2: BREV ANG FRÅGEFORMULÄR

Käre Herr/Dam

Denna forskning är en del av en kandidatexamen (Examensarbete i företagsekonomi, ekonomistyrning) på Linnéuniversitets ekonomihögskola. Syftet med denna forskning är att ta reda på styrkor och svagheter med projekt baserade organisationer. Enheten som används för analys är de organisationer som använder projekt som del av deras organisationsstruktur. Denna enhet används för att dra en slutsats till mitt syfte.

Alla uppgifter skall användas för akademiska ändamål och kommer att behandlas konfidentiellt.
Tack för din medverkan och samarbete.

Med Vänliga Hälningar,
Martin Skogmalm
Linnéuniversitetet, Student, 2010
APPENDIX 3: COMPANY AND PROJECT ORGANIZATION QUESTIONNAIRE

Organizational Overview

1. What is the name of the company or organization you work for?
2. What is your current role and how does it fit within the organization?
3. How is your company organized in general?
   a. In which areas does your company use mainly projects to get the work done?
   b. In which area does your company not mainly use projects to get the work done?
   c. Why do you think your company is organized the way it is?
4. Have there been major organizational changes to your organization? If yes:
   a. What were they?
   b. How did the changes impact your work and the overall success of the company/organization?
5. Does your company modify its products or services significantly to meet individual customers’ needs?
   If yes:
   a. How do you determine and account for the specific requirements of your customers?
6. What percentage of their work time do people in your area of the company typically spend on project related work?

Measuring success

7. How do you define and measure success in your company and in your part of the organization?
   a. What do you think are the key factors driving and limiting your organizations success?
8. What are the main factors influencing promotions in your part of the organization?
   a. How much does the success or failure of a project typically impact the careers of the project team?

Project Process

9. How are projects being selected and defined in your company?
   a. How does your part of the organization determine where to allocate resources when there are several competing projects?
   b. How is the company’s strategy being considered in the selection, definition and organization of projects?
10. What would be a typical project in your part of the organization?
   a. What would be the typical objectives, project length and team size?
11. How does your company learn from previous projects?
   a. Do you share project learning within the organization? Is it a systematic sharing process?
   b. Have you adopted an IT system that centralizes information and results from the different projects in your company or part of the organization?

**Project Leadership**

12. Does your company/organization have specialized project managers or is project leadership distributed more depending on topic ownership?
   a. Do you have a central project management office that supports different project teams?
13. Do project teams regroup for every project, or do project teams typically stay together over several projects?
14. How much freedom and independence do project leaders in your organization have?
   a. Are projects and project managers being controlled closely by someone outside of the project team?
   b. Is there close control and coordination process across the different projects? Is it a systematic process?

**Project Changes**

15. What percentage of projects in your part of the organization gets modified significantly after the project started?
   a. What are the most typical changes to projects? What are the typical causes for the changes?
16. What percentage of projects in your part of the organization get cancelled after the project started?
   a. What are the most typical reasons for cancellation?
17. What percentage of projects in your part of the organization finish behind schedule?
APPENDIX 4: FÖRETAGET OCH PROJEKTORGANISATIONEN
FRÅGEFORMULÄR

Organisatoriska Översikt

1. Vad är namnet på det företag eller den organisation du arbetar för?
2. Vilken är din nuvarande roll och hur passar den in i organisationen?
3. Hur är ditt företag organiserat i allmänhet?
   a. Inom vilka områden använder ditt företag främst projekt för att få arbetet gjort?
   b. Inom vilket område använder ditt företag inte projekt för att få arbetet gjort?
   c. Varför tror du att ditt företag är organiserat så som det är?
4. Har det skett stora organisatoriska förändringar i din organisation? Om ja:
   a. Vilka var de?
   b. Hur har förändringarna påverkat ditt arbete och den totala framgången för företaget / organisationen?
5. Har ditt företag modifierat sina produkter eller tjänster avsevärt för att möta enskilda kunders behov?
   Om ja:
   a. Hur avgör samt implementerar ni de specifika krav som ställs av era kunder?
6. Hur stor andel (%) av sin arbetstid spenderar normalt anställda i ditt område på projektrelaterat arbete?

Att mäta framgång

7. Hur definieras och mäts framgång i ditt företag och i din del av organisationen?
   a. Vad tycker du är de viktigaste faktorerna som driver och begränsar din organisations framgång?
8. Vilka är de viktigaste faktorerna som påverkar karriären i din del av organisationen?
   a. Hur mycket påverkar ett projekts framgång eller misslyckande karriären inom projektgruppen?

Projektprocessen

9. Hur väljs och definieras projekt i ditt företag?
   a. Hur bestämmer din del av organisationen var resurser skall fördelas när det drives flera projekt samtidigt?
   b. Hur beaktas företagets strategi vid valet, definitionen samt organisationen av projekt?
10. Vad betraktas som ett typiskt projekt i din del av organisationen?
   a. Vad betraktas som ett typiskt mål, projektlängd och storlek på arbetsgruppen?

11. Hur lär ditt företag från tidigare projekt?
   a. Delar ni lärdomar om olika projekt inom organisationen? Är det ett systematiskt (återkommande) utbyte?
   b. Har ni övergått till ett IT-system som centraliserar information och resultat från olika projekt i ditt företag eller del av organisationen?

Projekt Ledarskap
12. Har ditt företag / organisation specialiserade projektledare eller fördelas projektledare beroende på ämne?
   a. Har ni ett centrale projektledningskontor (project management office) som stöder olika projektgrupper?

13. Reorganiseras projektgrupper för varje projekt, eller håller projektgrupperna normalt ihop över flera projekt?

14. Hur mycket frihet och självständighet har projektledaren normal i din organisation?
   a. Kontrolleras projekt och projektledare noga av någon utanför projektteamet?
   b. Är det en nära kontroll och samordningsprocess mellan olika projekt? Är det en systematisk process?

Projekt Förändringar
15. Hur stor andel (%) av projekten, i din del av organisationen, modifieras efter det att projektet startats?
   a. Vilka var de typiska förändringarna i projekten? Vilka är de vanligaste orsakerna till förändringarna?

16. Hur stor andel (%) av projekten, i din del av organisationen, slutförs inte?
   a. Vilka var de mest typiska orsakerna till att de inte slutförs?

17. Hur stor andel (%) av projekten, i din del av organisationen, slutförs sent?
APPENDIX 5: THE NIELSEN COMPANY - QUESTIONNAIRE

Organizational Overview

1. What is the name of the company or organization you work for?
   The Nielsen Company

2. What is your current role and how does it fit within the organization?
   Client Consultant in the New Product Forecasting Division

3. How is your company organized in general?
   The Company is led by a group of executives, each responsible for a different geographic region. The Client Consulting Department is the core of the company. Built around that there are support and operations departments (Model Development, Data Processing, Finance, HR, IT)
   
a. In which areas does your company use mainly projects to get the work done?
      Client Consulting, Model Development, IT
   
b. In which area does your company not mainly use projects to get the work done?
      Finance, HR, Data Processing
   
c. Why do you think your company is organized the way it is?
      Client Consulting is the face to the customer. The Nielsen Company aims to adjust its’ services and processes to match clients’ needs. That’s why the Client Consulting department organizes and runs each job as a separate project. The support and operations departments are then built around the needs of the Client Consulting department.

4. Have there been major organizational changes to your organization? If yes:
   
a. What were they?
      1) Part of the Data Processing and IT departments were outsourced to an external service provider in India. This was done to harmonize processes and save costs.
      2) The Client Consulting department expanded from only 4 offices only in North America to 19 offices around the Globe. This was done to better server international clients and to grow international revenues.
      3) The Client Consulting Organization was re-organized. The former specialized project managers no longer led the projects. Their number was reduced and the remaining project managers turned into a project support
function. In return the number of consulting specialists was increased. The consulting specialists now lead client projects, based on their topic or client expertise.

b. How did the changes impact your work and the overall success of the company/organization?

1) The outsourcing to India saves costs per work hour and helps the company to keep its prices competitive. However on the down side it adds some communication efforts for the Client Consulting teams.

2) The international expansion was the strongest driver of the company’s growth in the past decade. Our large global clients need internationally experienced consultants and at the same time local consulting contacts. So our international expansion was essential for our longer term client loyalty. For our consulting staff it meant more international project assignments or even moving to other countries. For all our employees it meant more cooperating with colleagues and clients from different cultures, market structures, languages and time zones.

5. Does your company modify its products or services significantly to meet individual customers’ needs?

If yes:

a. How do you determine and account for the specific requirements of your customers?

Each customer has a permanent client representative, who is responsible for understanding and implementing the customers’ needs. When a customer commissions a job, we plan and implement a project around their objectives. If the customers needs are more complicated we often bring in topic specialists from other countries into the project team. The topic specialists then communicate with the rest of the project team via phone and teleconferences. In addition we regularly ask our customers for feedback on how we can better meet their needs and then continuously implement improvements.
6. What percentage of their work time do people in your area of the company typically spend on project related work?

50-90% project work, depending on the level in the hierarchy. The rest is people management and administration.

Measuring success

7. How do you define and measure success in your company and in your part of the organization?

Good results in client satisfaction surveys, growing revenues, faster revenue growth than the industry average, maintaining current and winning new clients, improving our services.

a. What do you think are the key factors driving and limiting your organizations success?

Drivers: Skills, experience and attitude of our employees. Access to superior databases and technical expertise. Growing needs of our customers for intelligent marketing insights. Quality and service advantages over our competition.

Limiters: Limited market research budgets of our clients during economic downturns. Challenges to collect standardized market data in developing countries. Project run times need to become even shorter than they currently are.

8. What are the main factors influencing promotions in your part of the organization?

Promotions are based on a fixed set of standards that one needs to fulfill to advance to the next level. In addition there needs to be an opportunity available at the next level. In the Client Consulting organization superior client service, project management, communication and analytical skills are essential.

a. How much does the success or failure of a project typically impact the careers of the project team?

Projects are the core of our work, so project success is the basis of our overall success. Successful project completions on time with little supervision needed are the biggest pre-requisites for promotions.
Project Process

9. How are projects being selected and defined in your company?

Client projects are accepted if we view their overall contribution as profitable to us. This contribution will be via the project fee in most cases, but can also be via the learnings or relationships expected from the project.

a. How does your part of the organization determine where to allocate resources when there are several competing projects?

Instead of limiting the number of client projects per office we try to keep our global resources more flexible. This means that consultants and support staff frequently work on projects that are being managed from other countries. Apart from client projects we also focus our resources on a few promising research and development projects at a time, to further advance our services.

b. How is the company’s strategy being considered in the selection, definition and organization of projects?

1) We only accept client projects if we believe that our service and insights will add significant value to the clients organization and their specific project.

2) One of our core strategic principles is the “One Nielsen” approach. That means that we integrate our different services from departments that used to be separate companies, so that we best answer our customers’ questions through one contact person in one project.

10. What would be a typical project in your part of the organization?

a. What would be the typical objectives, project length and team size?

A chocolate manufacturer wants to introduce a new line of light chocolate bars in Sweden, Denmark and Germany. They would like to know how well the idea will be accepted in the different countries, how they should best market the product, how much they can sell in the first year and how to best price the product in the different countries.

This project would typically run for 2-3 months and have a project team size of 6-8 people.

11. How does your company learn from previous projects?

a. Do you share project learning’s within the organization? Is it a systematic sharing process?
After each project the project team evaluates it internally. In addition we ask for feedback and follow up requests from our customers. Often when we used an innovative forecasting approach on a project we publish it in our company wide learnings database, while keeping the name of the client anonymous.

b. Have you adopted an IT system that centralizes information and results from the different projects in your company or part of the organization?
Yes we have a company wide project learnings database that is managed by two knowledge management specialists and gets fed frequently with our project learnings.

**Project Leadership**

12. Does your company/organization have specialized project managers or is project leadership distributed more depending on topic ownership?
   See question 4a
   a. Do you have a central project management office that supports different project teams?
      Yes, see question 4a

13. Do project teams regroup for every project, or do project teams typically stay together over several projects?
    There are default team members from every project function assigned to every large client. But project teams still re-group frequently, depending on project size, timing and how busy the office is overall.

14. How much freedom and independence do project leaders in your organization have?
   a. Are projects and project managers being controlled closely by someone outside of the project team?
      Project leaders and their timelines, data and processes are always being supported and controlled by the project management office. The results and analytics of each client project are being controlled by senior experts, often the managers of the project manager.
b. Is there close control and coordination process across the different projects? Is it a systematic process?

The senior management of each office and each geographical region controls the distribution of the project resources (team members) and makes sure that project learnings are captured and shared.

Project Changes

15. What percentage of projects in your part of the organization gets modified significantly after the project started?

80%

a. What are the most typical changes to projects? What are the typical causes for the changes?

Changes to the client concept and objectives, the timeline, the marketing plan and budget. Internally team members are sometimes added or withdrawn depending on the changes on different client projects.

16. What percentage of projects in your part of the organization get cancelled after the project started?

5%

a. What are the most typical reasons for cancellation?

The client changes plans and no longer needs the project.

17. What percentage of projects in your part of the organization finish behind schedule?

70% behind the initial schedule. 10% behind the last updated schedule.
APPENDIX 6: ERNST & YOUNG AG, SWITZERLAND - QUESTIONNAIRE

Organizational Overview

1. What is the name of the company or organization you work for?
   Ernst & Young AG, Switzerland

2. What is your current role and how does it fit within the organization?
   My role was a “audit senior” in the auditing department, which, depending on the size of the client, has responsibilities ranging from planning the audit, performing more complex audit procedures, supervising audit assistants and preparing the audit report.

3. How is your company organized in general?
   a. In which areas does your company use mainly projects to get the work done?
      Company work is organized in project, with each client being a separate engagement or project.
   b. In which area does your company not mainly use projects to get the work done?
      Administrative work such as HR, logistics, etc.
   c. Why do you think your company is organized the way it is?
      Because the work can easily be organized as separate projects.

4. Have there been major organizational changes to your organization? If yes:
   a. What were they?
      More centralization of administrative and HQ tasks.
   b. How did the changes impact your work and the overall success of the company/organization?
      Impact on my work: it was more difficult to find the correct contact person and to get hold of him/her. The personal touch was lost.
      Impact on success: cannot quantify

5. Does your company modify its products or services significantly to meet individual customers’ needs?
   No.
   If yes:
   a. How do you determine and account for the specific requirements of your customers?
      n/a
6. What percentage of their work time do people in your area of the company typically spend on project related work?
   80-90%

Measuring success

7. How do you define and measure success in your company and in your part of the organization?
   Chargeable hours, engagement qualification (assessment per audit).
   Unfortunately, chargeable hours do not say anything about the efficiency of the person that did the project. Engagement qualifications depend on the objectivity of the person that assess the other persons performance.
   a. What do you think are the key factors driving and limiting your organization’s success?
      Key drivers: quality work, hire the best people, good relationship management, integrity

8. What are the main factors influencing promotions in your part of the organization?
   Putting the job first; be willing to work a lot of overtime; good accounting skills
   a. How much does the success or failure of a project typically impact the careers of the project team?
      A failure can have a big impact on the future career.

Project Process

9. How are projects being selected and defined in your company?
   a. How does your part of the organization determine where to allocate resources when there are several competing projects?
      Most profitable project, most prestigious project gets the resources first.
   b. How is the company’s strategy being considered in the selection, definition and organization of projects?
      Not in a position to answer this question.

10. What would be a typical project in your part of the organization?
    See above: audit engagement.
a. What would be the typical objectives, project length and team size?
   Objective: sign the audit report
   Project length and team size depend on the size of the company that has to be audited. Length range from 1 day to 1 year and project team from 1 to 60+ resources.

11. How does your company learn from previous projects?
   a. Do you share project learning’s within the organization? Is it a systematic sharing process?
      No, no systematic process as far as I know of.
   b. Have you adopted an IT system that centralizes information and results from the different projects in your company or part of the organization?
      n/a

Project Leadership

12. Does your company/organization have specialized project managers or is project leadership distributed more depending on topic ownership?
   There are no specialized project managers. Project leadership is distributed based on qualification and experience of the auditor.
   a. Do you have a central project management office that supports different project teams?
      Some administrative functions, but no real central project management office.

13. Do project teams regroup for every project, or do project teams typically stay together over several projects?
   Project teams regroup for every project.

14. How much freedom and independence do project leaders in your organization have?
   a. Are projects and project managers being controlled closely by someone outside of the project team?
      Yes, via chargeable hours and profit on the engagement.
   b. Is there close control and coordination process across the different projects?
      Is it a systematic process?
      No, there is no close coordination process across the different projects, but all are controlled via chargeable hours / profitability.
Project Changes

15. What percentage of projects in your part of the organization gets modified significantly after the project started?
   There are not many adjustments, since the result is clear.
   a. What are the most typical changes to projects? What are the typical causes for the changes?
      Adjustment of staffing.

16. What percentage of projects in your part of the organization get cancelled after the project started?
   Almost none, since it is a legal requirement.
   a. What are the most typical reasons for cancellation?
      n/a

17. What percentage of projects in your part of the organization finish behind schedule?
   Audit report is always issued.
Organizational Overview

1. What is the name of the company or organization you work for?
   Linde (chemicals producer)

2. What is your current role and how does it fit within the organization?
   IT Consultant in the IT project organization

3. How is your company organized in general?
   a. In which areas does your company use mainly projects to get the work done?
      New IT structures and IT systems
   b. In which area does your company not mainly use projects to get the work done?
      Supporting users with current IT systems
   c. Why do you think your company is organized the way it is?
      Support is daily business, new IT structures need customized projects

4. Have there been major organizational changes to your organization? If yes:
   Split the IT department into support and projects. Reason is that the projects involve travel. So employees that do not want to travel were moved to the support department. Project employees need to be more mobile.
   a. What were they?
      n/a
   b. How did the changes impact your work and the overall success of the company/organization?
      More bureaucracy, more communication necessary, slower work results in the beginning,

5. Does your company modify its products or services significantly to meet individual customers’ needs?
   Yes. The customers are internal. Customer needs are mostly determined via the IT support team
   a. How do you determine and account for the specific requirements of your customers?
      We adjust to the customers’ specifications when setting up new systems. That’s why we are organized in projects in this area. The projects are built around the specifications of the internal customers as much as possible. But
the specifications are often unclear or contradicting. Better communication is needed.

6. What percentage of their work time do people in your area of the company typically spend on project related work?

100%

**Measuring success**

7. How do you define and measure success in your company and in your part of the organization?

We measure if the new IT system goes live on time and on budget.

a. What do you think are the key factors driving and limiting your organization's success?

Problems are mostly internal political issues, clear specifications are missing, not enough knowledge transfer between the customer and the team and within the project team.

8. What are the main factors influencing promotions in your part of the organization?

Experience, personal connections within the business, success in projects, flexibility, seniority

a. How much does the success or failure of a project typically impact the careers of the project team?

Good project results often lead to a transfer to a different project team with bigger responsibilities or more complex or more strategically relevant objectives.

**Project Process**

9. How are projects being selected and defined in your company?

a. How does your part of the organization determine where to allocate resources when there are several competing projects?

When there are more projects than staff we often work overtime. Recently we introduced a resource allocation committee that prioritizes projects. This committee is led by our business customers.

b. How is the company’s strategy being considered in the selection, definition and organization of projects?

n/a
10. What would be a typical project in your part of the organization?
   a. What would be the typical objectives, project length and team size?
      
      A typical project would be a new international SAP template. These kinds of projects often involve over 100 people and last over 2 years.

11. How does your company learn from previous projects?

   Informal knowledge exchange between colleagues. Changing project team structures help the knowledge transfer.

   a. Do you share project learnings within the organization? Is it a systematic sharing process?
      
      No systematic process

   b. Have you adopted an IT system that centralizes information and results from the different projects in your company or part of the organization?
      
      Yes, a central system exists, the project members add the content to the central system while the project runs.

Project Leadership

12. Does your company/organization have specialized project managers or is project leadership distributed more depending on topic ownership?

   We use specialized project managers.

   a. Do you have a central project management office that supports different project teams?
      
      Yes, the project managers are organized in their own department, which supports our ongoing projects.

13. Do project teams regroup for every project, or do project teams typically stay together over several projects?

   Regroup for every project. Often external consultants are added to the teams.

14. How much freedom and independence do project leaders in your organization have?

   Often limited by the political requirements within the IT organization as well as conflicting requirements of our internal business customers.

   a. Are projects and project managers being controlled closely by someone outside of the project team?
      
      Our internal customers are often already involved as the project advances.
b. Is there close control and coordination process across the different projects?
   Is it a systematic process?
   No, more ad hoc coordination of resources.

Project Changes

15. What percentage of projects in your part of the organization get modified significantly after the project started?
   50%

16. What are the most typical changes to projects? What are the typical causes for the changes?
   Customer requirements change or were not clear from the beginning
   a. What percentage of projects in your part of the organization get cancelled after the project started?
      None
   b. What are the most typical reasons for cancellation?
      n/a

17. What percentage of projects in your part of the organization finish behind schedule?
   60%, mostly because limited resources
APPENDIX 8: PROJECT PROCESS

Each project goes through a process that looks a bit different depending on the type of project involved and for how long the project lasts. Large projects take a lot of time resources are often planned more accurately than short-term projects. But it is not certain that large long-term projects are more difficult to plan than small short-term projects. Sometimes a seemingly small and insignificant project takes much more planning and cost a lot of money. To ease the project process different project models are used to give structure, to focus the business, and set a common language, and help define the roles and processes. Two of the most common project management models in Sweden are Practical Project Steering (PPS) (Tieto, 2009) and Project for Project Management (PROPS) (Semcon, 2008). Both the PPS and PROPS divide projects into three different parts:

- **Pre-study**
- **Implementation**
- **Closure**

**Project preparation - Pre study**
Some type of change needs to be addressed on a project basis. This may have been preceded by an idea or a need for change emerged in the previous budget process. Now a major project phase starts, the preparation phase, where the framework for the entire project is set.

**Project implementation**
The implementation phase consists of several steps and you can choose to call them in different ways. Project Office call steps for analysis, design, construction, implementation and deployment. In addition to these steps, there are two types of group meetings and a change management routinely.

**Decommissioning phase of the project - Closure**
When the project is approved supplies remains the stage where the project is phased out. This includes the transfer to the line organization and to those who will be
responsible for managing the project. During the decommissioning phase, a final report will also be developed. It includes the evaluation of the project.

In projects there is a strong focus on the time limit, which raises two questions:

1. Most projects are not time-limited, but limited in the amount of resources they have, a trademark of commercial projects is that profitability is essential. One would rather exceed the time frame then resource limits; there are failures in the latter respect, which subsequently leads to the most critics.

2. In those cases the time frame is generous in relation to quality and resource frameworks, Parkinson's Law seem to apply; the work expands to fill the time available for its performance.
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