



Project Management – Case Study # 6

PROJECT MANAGEMENT ORGANIZATIONAL STRUCTURES

In the early days of project management, there existed a common belief that project management had to be accompanied by organizational restructuring. Project management practitioners argued that some organizational structures, such as matrix structures, were more conducive to good project management, while others were not quite effective. Every organizational structure comes with both advantages and disadvantages.

Today, we question whether organizational restructuring is necessary. Is it possible that project management can be implemented effectively in any organizational structure if the culture is cooperative? Restructuring is often accompanied by a shift in authority and the balance of power. Can effective project management occur at the same time that the organization undergoes restructuring?

Martig Construction Company

Martig Construction was a family-owned mechanical subcontractor business that had grown from \$5 million in 2006 to \$25 million in 2008. Although the gross profit had increased sharply, the profit as a percentage of sales declined drastically. The question was “Why the decline?” The following observations were made:

1. Since Martig senior died in July of 2008, Martig junior has tried unsuccessfully to convince the family to let him sell the business. Martig junior, as company president, has taken an average of eight days of vacation per month for the past year. Although the project managers are supposed to report to Martig, they appear to be calling their own shots and are in a continuous struggle for power.



2. The estimating department consists of one man, John, who estimates all jobs. Martig wins one job in seven. Once a job is won, a project manager is selected and is told that he must perform the job within the proposal estimates. Project managers are not involved in proposal estimates. They are required, however, to provide feedback to the estimator so that standards can be updated. This very seldom happens because of the struggle for power.
3. The project managers are afraid that the estimator might be next in line for executive promotion since he is a good friend of Martig's. The procurement function reports to Martig. Once the items are ordered, the project manager assumes procurement responsibility. Several times in the past, the project manager has been forced to spend hours trying to overcome shortages or simply to track down raw materials. Most project managers estimate that approximately 35 percent of their time involves procurement.
4. Site superintendents believe they are the true project managers or at least are at the same level. The superintendents are very unhappy about not being involved in the procurement function and, therefore, look for ways to annoy the project managers. It appears that the more time project managers spend at the site, the longer the work takes; the feedback of information to the home office is also distorted.

QUESTIONS

1. What is the major problem with the case study?
2. How would you resolve the problem?
3. What should the working relationship be between project managers and site superintendents?
4. Does Martig have a good procurement function?
5. Does the estimating function appear to be performing correctly?

