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Organizational Transformation in the Era of the Project Economy

Featured Paper

by Xiaojin Wang, PhD

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Translated by Yu Yanjuan

In the era of the Project Economy, changes in technology, demographics and space-time characteristics will drive social transformation, which will have a direct impact on various organizations, and thus promote them to adapt. Those organizations that cannot adapt to social transformation will not survive and thrive. Here are some tips on organizational transformation in the era of the Project Economy.

Differentiate between repetitive work and unique projects

In the Project Economy, work will be further polarized with one pole being repetitive work and the other being unique projects. In order to adapt to this trend, organizations must separate repetitive work from unique projects, because their management methods differ. Repetitive work, which is mainly completed by machines assisted by humans according to established operating procedures, aims to maintain the survival and progressive development of the organization. Unique projects, which are mainly completed by humans with creative efforts aided by machines, aim to achieve organizational innovation and leaping development.

For example, a revolving door manufacturing enterprise, which produces according to customer orders, has been suffering serious seasonal business volume fluctuations so much that it is unable to prepare a feasible annual production plan. I suggest that they should try to separate the standardized spare parts production and carry it out stably as repetitive work; the design, manufacturing and installation tailored to the specific needs of customers should be carried out as unique projects, and the guidance of customer needs should also be strengthened. This suggestion is not only conducive to maintaining the production of standardized spare parts, but also conducive to showing the unique characteristics of the final products. The final product may be 70% standardized parts plus 30% special parts, but the price is 30% of the former plus 70% of the latter. This approach can not only solve the problem of business volume fluctuations, but also strengthen the core competitiveness.

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Organizations should adopt artificial intelligence technology to intelligentize more and more repetitive work. In the process of intelligentizing work, organizations must be active enough not to wait for others to design relevant software or make relevant machines and use them passively, though sometimes passive application is necessary. Here's how to achieve work intelligentizing: to carry out work practice; to carry out systematic review; to improve work knowledge; to structurize the work process; to clarify the work objectives. Many organizations do well in the very first step, but the latter. After all these steps are completed, organizations need to find AI technical experts to help intelligentize work.

Establish a project-team-centered organizational structure

The traditional "pyramid plus functional department" organizational structure results from industrial revolution. Its premise is a stable market and basically unchanged customer demand; its core is to reduce production costs by relying on large-scale repetitive production; its means is that every level of personnel and every functional department carry out responsibilities in strict accordance with the rules and regulations. In the era of the Project Economy, the premise of functional structure no longer exists. Although the functional structure will not disappear completely, in many organizations, it should withdraw from its original dominant position and gradually give way to the project-team-centered structure.

In the project-team-centered organizational structure, the senior management provides high-level unified leadership and coordination for repetitive work and unique projects. For repetitive work, the traditional organizational structure and management methods are basically applicable. For unique projects, a project-team-centered organizational structure should be adopted (see Figure 1). As shown in the figure, the upper level is the leadership, which is composed of the senior management and the Strategic PMO and the Project Governance Committee, and is responsible for controlling the overall situation and direction of the project. The middle level is the management and executing level, which is composed of many lean project teams, regional or business PMOs and various resource centers and technology centers. The lower layer is the foundation level, which is the large database of the whole organization, including massive data, a large amount of information, a moderate amount of knowledge and a small amount of wisdom.
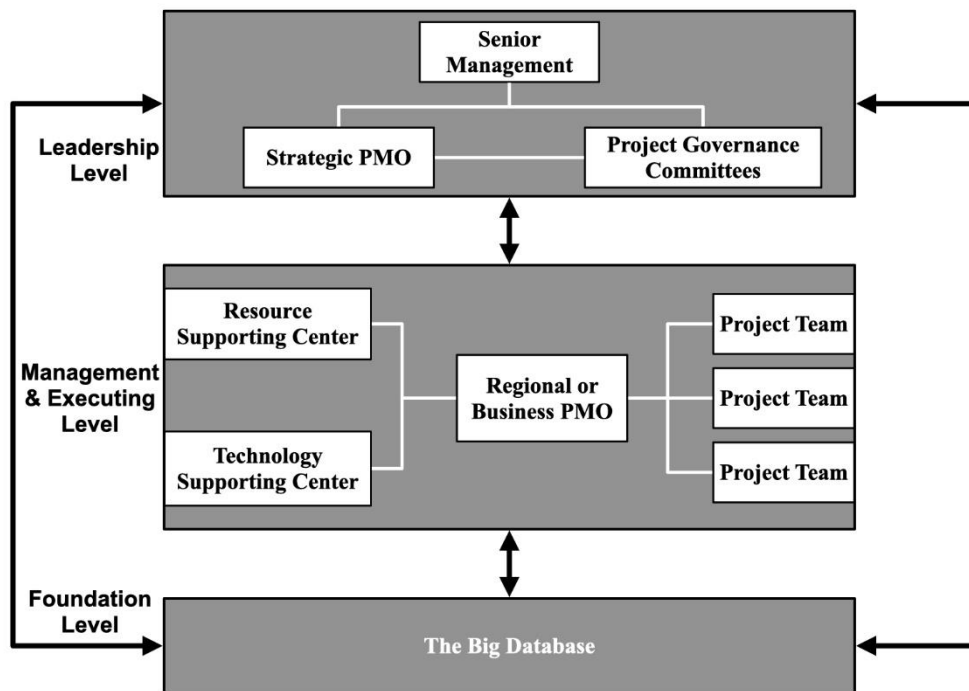
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Figure 1 Project-team-centered organizational structure

In the new organizational structure, responsibilities at all levels are described below.

• The Strategic PMO is responsible for formulating unified basic project management rules and regulations, guiding and supervising all projects at organizational level.

• The Project Governance Committee, i.e. project leading group, on behalf of the senior management and the Strategic PMO, provides high-level guidance, support and supervision on a specific project reaching a certain degree of importance. Project Governance Committee is equivalent to a special senior Secretariat for a specific project.

• The project team is directly oriented to the market, and its members come from different professional fields. Through complementary cooperation, it delivers results to customers and creates value for customers. Most people in the organization have to join a variety of project teams. The project team may also need to temporarily hire independent professionals outside the organization.

• The regional PMO or business PMO is the project coordination center, which not only coordinates various projects, but also coordinates the exchange of experience and lessons between projects in a timely manner. It is also a resource and technique deploying center, which is responsible for obtaining resources and technical support from the rear resource support center and technical support center according to the needs of

projects, so that project teams can be freed from spending time to obtain resources and technical support.

• The resource support center and technical support center are service centers. They are equivalent to the sellers in the internal market of the organization. The front-line project team uses its own project budget to purchase services from them through PMOs. If the service provided by them is not satisfying, the project team can turn to the external market for purchase. The resource support center is responsible for reserving and providing financial resources, physical resources and non-professional and non-technical human resources; the technical support center is responsible for R & D and providing various professional and technical human resources.

• The big database provides data, information, knowledge and wisdom support for all people and businesses. The construction and maintenance of the big database is perhaps the most challenging part. We need to input the original data in real time, regularly sort out information from the original data and extract knowledge and wisdom. Although the original data is real and objective, the unorganized data is not only useless, but also may be a disaster. How to extract information from data, how to extract knowledge from information, how to extract wisdom from knowledge, these are challenges we will face. In addition, upon completion of each project, the regional PMO or business PMO shall organize people to carry out comprehensive post-evaluation, summarize experience and lessons, extract information, knowledge and wisdom from the project, and put them into the big database. Subsequently, the Strategic PMO should regularly conduct higher-level research on the contents of the big database, extract the knowledge and wisdom that can rise to the theoretical level, and put them into the big database, and update the organization's project management rules and regulations accordingly.

In this new organizational structure, it is the project team that delivers comprehensive solutions to customers, and most of the employees in the organization will join one or more project teams (the employees of the support center or PMO usually join the project team as part-time project specialists), and the project team is the real power center. In this way, the shortcomings of the traditional pyramid organizational structure are avoided: a few departments are in the front, submitting non-comprehensive solutions within their respective responsibilities to customers; most departments (such as finance department and personnel department) in the back, though not directly facing customers, can have restrictive power over the front departments.

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Implement results-oriented performance appraisal

In traditional organizations, the focus of performance appraisal is the work process, such as work hours, which requires employees to work in strict accordance with the detailed work procedures formulated in advance. For repetitive work, this set of procedures is mature and can ensure the same results are continuously produced.

In the project-team-centered organization, the focus of performance appraisal should be work results. Employees are required to produce agreed deliverables, and the project team is required to deliver valuable solutions to customers. For unique projects, it is unadvisable and unlikely that the organization stipulate too strict and detailed work procedures, which will restrict people's thoughts and hands, making unique projects impossible. A project manager once asked me, "All decisions should be based on facts and procedures. The right procedures take precedence over the right results. Does this statement work in project management?" I replied, "We can't simply apply the judicial practice to project management. If this statement is true, how can we embody the artistry of project management? How can we reflect the deliverables-orientation of project management? "

However, it is not enough to evaluate only the final deliverables and solutions because it will be very troublesome if they do not meet the requirements. In project management, there is an approach to effectively control the whole process of the project in an all-round way, in order to ensure proper flexibility in control. The approach can be summed up as "project governance + project management process group + project lifecycle + project management knowledge areas". "Project governance" is the highest level of project management and control, which is senior leaders' high-level guidance, support, supervision and control of the project; "project management process group" and "project lifecycle" are used to control the whole process of the project from the perspectives of management and technical work; "project management process group" focuses on what management work should be done in each stage; "project lifecycle" focuses on what technical work should be done in each stage; "project management knowledge areas" focus on main contents of the project to be managed to facilitate the overall control of the project.

The senior management shall authorize the Strategic PMO to prepare a comprehensive "project management work guide" based on the actual needs of the organization by referring to the international advanced project management standards. The "project management work guide" should include the interrelated project management process group, project lifecycle and project management knowledge areas. The "project management work guide" does not need to be detailed; it only needs to provide a framework conducive to effective management and control, which can be flexibly applied

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by each project. For example, for the project lifecycle, it should specify the stage division of each type of project, the stage results to be achieved and the stage acceptance to be passed.

Senior management and PMO should use the method of "project lifecycle management" to check and assess the performance of the project at the end of each project stage. Without interfering with the project work, this kind of inspection and assessment can identify and solve the problem of non-conforming stage results in time. It will not only help us to timely confirm that the stage results meet the requirements, lay a solid foundation for the follow-up work, but also encourage the team to better carry out the follow-up work through timely recognition and reward of the team. If the results of each stage meet the requirements, the final project results are more likely to meet the requirements.

Establish an organizational culture characterized by teamwork and agile adaptability

Transformation in organizational structure and performance appraisal can't do without organizational culture reform. Organizational structure and performance appraisal systems belong to explicit rules while organizational culture is implicit rules. If the explicit and the implicit rules are inconsistent or even in conflict, it is common that the implicit rules will win, or at least the implementation of explicit rules will encounter great difficulties. In the era of The Project Economy, what kind of organizational culture should we cultivate?

First of all, we should cultivate a teamwork organizational culture to support the project-team- centered organizational structure. This culture emphasizes equality, cooperation and sense of common achievement among team members. Only equality can lead to full cooperation; only full cooperation can lead to sense of common achievement. Traditional management is vertical management, which is featured by unequal command and obedience between the superior and the subordinate. Project management is horizontal management, emphasizing equal communication and cooperation among team members. In traditional management based on the working style of level and department, everyone is the employee of a certain level or department. Project management is team-based, emphasizing that everyone is a member of a specific team. The first identity of anyone in a project team is the member of the team, instead of the employee of the original level or department.

Secondly, we should cultivate an organizational culture that emphasizes performance rather than identity to support the results-oriented performance appraisal system. Because project management is deliverables-oriented, we see others based on their performance rather than their origin, age, identity and status. Whoever has better

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performance should gain higher income, better treatment and more respect. This kind of culture is totally different from traditional management that compares status, qualification, education background and age.

Thirdly, we should cultivate an agile adaptive organizational culture to enable organizations to survive and thrive in the rapidly changing world. The so-called "agile adaptation" is to deal with or even lead changes quickly. It not only requires people not to be fearful of changes, but also encourages people to accept, embrace, make use of and create changes. From "accepting change" to "creating change", the challenges get bigger and bigger. Nowadays, as technology and market change rapidly, customers are more and more picky, organizations shouldn't passively respond; instead they should actively embrace change, change with the trend and even change to make breakthroughs. To actively seek change is a matter of attitude. Changing with the trend requires not only attitude, but also ability. To make a breakthrough, courage is also needed besides attitude and ability. In an agile adaptive organizational culture, on the one hand, the whole organization is decentralized with no center; on the other hand, every project team is centralized, that is, every team is the center. Organizations that use many project teams to do things flexibly will have a high level of agility and adaptability.

Conclusion: the future organization will be like a big ship

No matter how an organization changes, it must manage strategy, operation and projects. Strategy is the direction of development, operation is repetitive work, and projects are unique work. Under the guidance of strategic management, the status of operation management and project management is changing. In the past, operation (such as mass production of the same product), as the most important work in an organization, determines the core competitiveness of the organization, so it has a higher position, while projects and project management are only in a subsidiary position. In the future, the status of projects (such as R & D of new products) and project management will rise day by day, while operation and operation management will gradually retreat to the affiliated status, because the repetitive work will be mainly carried out automatically by artificial intelligence.

In the era of The Project Economy, most organizations will be like a big ship. The driver's cab is responsible for the direction of navigation via forward-looking and long-term strategic management; the front half of the ship body stands for the repetitive work of daily operation, mainly carried out automatically by artificial intelligence to maintain a stable forward navigation; the back half of the ship body is the unique work of the project, mainly carried out by personnel to continuously provide new navigation power (see Figure 2). Each project is a small team carrying out special tasks, and the achievements delivered by projects will become a new foundation and new power for daily operation,

making navigation faster and more accurate. If there is no new power generated by projects, the voyage will soon stop and the direction will be lost.
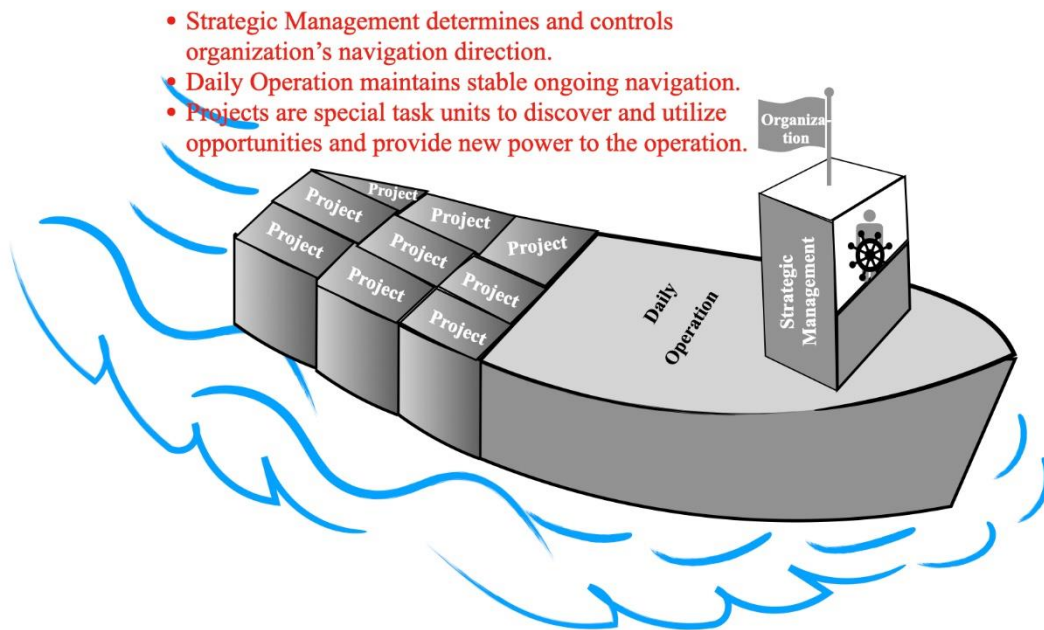

- Strategic Management determines and controls organization's navigation direction.
- Daily Operation maintains stable ongoing navigation.
- Projects are special task units to discover and utilize opportunities and provide new power to the operation.

Figure 2 Strategy, operation and projects in future organizations

In future organizations, strategic management will be done by senior management, operation management is done by AI with the assistance of humans, and project management is done by AI-assisted personnel. As a result, organizations will need these categories of staff: strategic managers, artificial intelligence assistants, project managers, PMO personnel, project resource providers, project technology providers and big data staff who provide data support for the entire organization. This provides a basis for career planning in the era of project economy. Everyone can consider what kind of staff they are suitable for and want to be from a macro perspective.

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Xiaojin Wang, Ph.D, PMP, is a professor of project management at Yunnan University in Southwestern China; he is also a project management trainer and consultant. He started his project management career at a large civil project in 1983. After 13 years of practicing project management, he went to RMIT University in Australia to study the Master course of project management in 1996. From 1998 to 2001, he completed a Ph.D., researching the topic "Project Management Culture". In November 2001, his research paper "Dimensions and Current Status of the Project Management Culture" won the PMI Educational Foundation International Student Paper of the Year Award.

In 2002, he joined Yunnan University to teach project management. It is the year of 2002 when Yunnan University launched the post-graduate (Master's Degree) program in project management. Yunnan University was founded in 1922. It is one of the earliest comprehensive universities in Southwest China. He is the author of 20 project management books (In Chinese), for example, "Project Management Methodology", "Dr. Wang's Guide to PMP® Exam", and "Creating Original Values through Projects". He is also the author of many project management papers/articles, for example, "Project Management: From Traditional to Agile Approach". Five of his academic papers were published in the *Project Management Journal* and *International Journal of Project Management*.

For Prof Wang, project management is not merely a career, but a way of life. His bond with project management has lasted so long that it seems to have penetrated every corner of his life. Project management way of thinking enabled him to form the habit of running and helps him deal with almost everything. He started outdoor running at the age of 53 in 2015. By doing projects to develop and maintain his capabilities, he has extended his single running distance from 5 kilometers to 10 kilometers to 20 kilometers and to 30 kilometers. He now performs a 30-kilometer run every week. The running exercise is very good for his health.

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You may be also interested in reading Professor Wang Xiaojin's recent interview at
http://www.pmreview.com.cn/english/Home/article/detail/id/228.html