Chapter 5. Project organization

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Introduction

This paper has divided into two sections, which are project organisation members and their tasks and the relationship between the project organisation and the parent organisation. At the beginning of the first section there is a description of the basic project organisation and its members. After this we have added more members to the organisation chart, because in the large project there is a need for different kind of support persons or experts. In the last part of the first section there is description of the IS package implementation project organisation. In addition to the different organisation charts there are descriptions of the tasks of every actor.

In the second section we look at the relationship between the project organisation and the parent organisation. Even though the benefits of organising a project as a distinct unit that is separate from the parent organisation are clear, many stakeholders of the project may actually speak for the integration of the project to the existing structure. These opinions can arise for example from resistance to increased workload or contradictions between objectives. It must also be decided, how much autonomy will be assigned to the project manager. The decision about the status of the project organisation and the project manager is influenced by many factors. First, the structure of the parent organisation has an impact on whether the project should be organised as a separate unit or not. There also factors related to a specific project and a specific organisation, which affect on the level of autonomy that should be assigned to the project manager.

Project organisation members and their tasks

Overview[1]

Steering committee. Steering committee is the highest decision-making body of the project organisation. Steering committee's members are normally company's top management (directors, the company's president and other people who have decision making power). If the project concerns only one department of the company, then steering committees members are managers of this department.

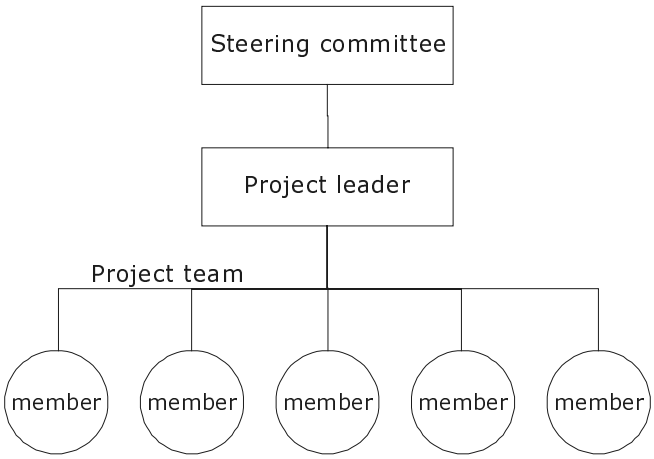

Figure 1: Basic project organisation structure

Steering committee has following tasks:

- Processing and approving of the project plan. As well reconciliation of different opinions even by taking part in making of the project plan.
- Projects cost supervision.
- Project's schedule, resource usage and profitability supervision.
- Reporting and information interchange between project organisation and base organisation.
- Processing and approval of the changes in projects contents.
- Closing the project when it is ready or aborting it if the project is going to fail.

Project leader. Project leader has overall responsibility for project, its planning, execution, work management, and closure preparations. In addition to execution

[1] Based on Stenlund 1985

responsibility project leader have to answer about the content of the project. Leader's role in the project is not only to managerial, but also actively take part on the work itself.

Project leaders administrative and steering tasks:

- Prepare the project plan and demonstrate it to the steering committee.
- Manage the project's execution and be responsible for the projects schedule, costs, resource usage and quality and usability of the project outputs.
- Take cares about task allocation and supervise the execution of them.
- Prepare necessarily project plan changes and demonstrate them to the steering committee for approval.
- Announce needed resources and changes by project to the participating base organisations.
- Inform the steering committee and other participants about the progress of the project.
- Prepare to close the project and document experience information.

Project team. Project team comprises of project leader and members. Everybody else who takes part on the project work is member of the project team.

Members' tasks:

- To carry out tasks, which have assigned in the project plan or which project leader assigns to member.
- Demonstrate output of the work to project leader and make documentation.
- Take part on the making of the project plan with project leader.

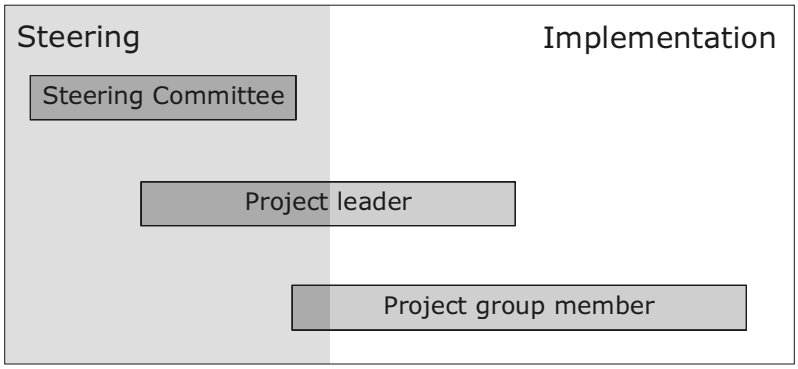

Figure 2: Division of steering and implementation tasks in the project organisation

Next figure will demonstrate how project's steering and actual project work will be divided to different stages of project organisation. Steering committee's tasks are completely managerial. Project leader has administrative tasks as well tasks in project work. Project group member has only little administrative responsibilities and the most of his/her work will be "real" project work.

Additional members[2]

Earlier text described basic form of the project organisation. In this chapter we add three new actors to the project organisation model. These are expert/counselling group, information group and project secretary.

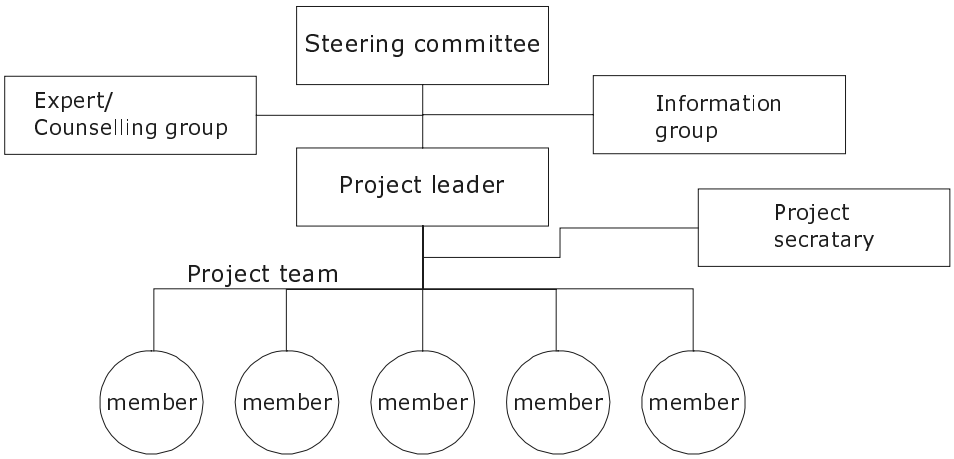

Figure 3: Additional groups of the project organisation

Expert- or counselling groups. Members of the expert- or counselling group are mostly experts of their own field. This group's task depends on the nature of the project. For example in the development project expert- and counselling group's task is steering of the project's content.

Information group. In the large project there is a possibility that the size of the steering group grows too much if there is a member from every department, which are taking part to the project. To prevent this unnecessarily growing it is useful to establish an information group. Members of this group are representatives from every department which takes part to the project and their task is to communicate between project's steering group and their own department.

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[2] Based on Stenlund 1985

Project secretary. Project secretary takes care about overall documentation of the project and maintenance of the project's output and administrative files. Project secretary may also deputise for project leader.

IS implementation project organisation[3]

There are so many project organisation structures as projects. Earlier in this paper were two different kinds of project organisations. They were very basic structures and are usable for early stages planning. In this chapter there is one information system implementation project organisation example.

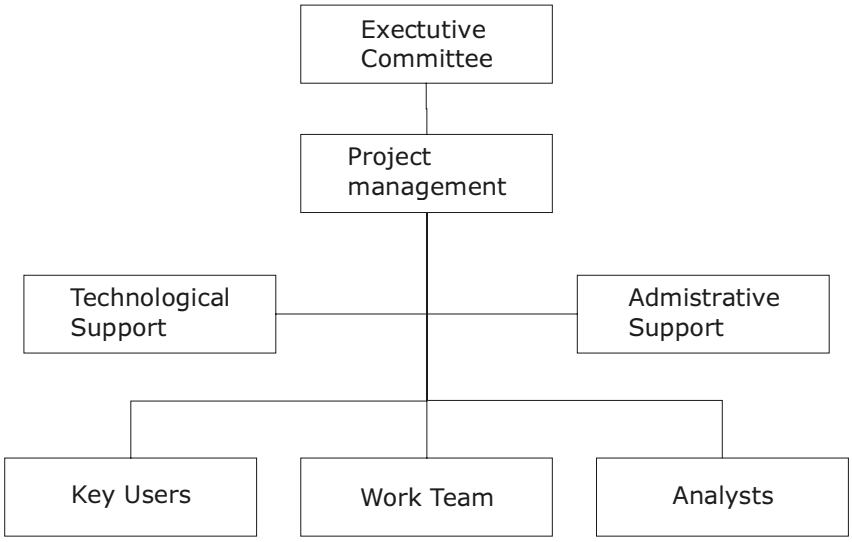

Figure 4: Example of IS implementation project

Executive committee. Executive committee is another term for the steering committee. It also has similar tasks as the steering committee. In the implementation project executive committee has (not always) to negotiate about the consulting fees and costs for services carried out by the package vendor (including training and customisation).

Project management. In the large implementation project one person in project management might not be enough. If there are two managers, tasks can be divided. For example another manager leads the field job (in many cases manager who is leading field job is consulting professional) and another is named as in-house co-

[3] Based on Lozinsky 1998

ordinator of the project. These managers have similar tasks, which stated earlier in the chapter in which was discussed about project leader.

Consultant's tasks are quite clear, but there is much to discuss about the role of the in-house co-ordinator's tasks. In-house co-ordinator appointed by the company or department should not limit himself or herself to executing or simply monitoring the task defined by the consultants. This person must also evaluate the quality and evolution of the consultant's work, discuss doubts with the leader of the consulting manager, and ensure that company personnel involved in the project are adequately complying with their responsibilities. Being assigned the role of manager should not be mistaken for being assigned to a project for the sole purpose of checking to see that things get done. Some package implementation projects have almost failed because the company, through its project representatives, understood the manager's job as involving only verifying how things are going. The in-house co-ordinator must lead the company's personnel effectively so that everyone collaborates in the development work, dedicating themselves to doing the very best possible job and never losing sight of the project's objectives. Obviously, members of the executive committee must also concern themselves with this responsibility.

The in-house co-ordinator should bear in mind that, as the project develops. He or she needs to be increasingly prepared to present and discuss the various technical, functional, managerial, and political issues associated with the software implementation effort when anyone in the company requires an explanation.

Work team. This team is composed of the people who are actually carry out each of the tasks set forth in the project work plan. The people on the team should be professionals who will dedicate full time to the project and concern themselves with successfully concluding each step planned in the project schedule. The work team normally includes the contracted consultants. These professionals should already understand the acquired software and have had the opportunity to go through similar implementation experiences at other companies.

Key users. Key users are people who are the future users of the system. Furthermore, they are the ones who are to define how the system is to operate in all its detail. A key user is typically a company employee who possesses certain autonomy in his or her field of activities. This person is seen as a natural leader of his or her colleagues,

an opinion maker, a professional, whose technical knowledge is respected by others. Consequently this person is a fundamental player when it comes to demonstrating to non-key users, who will also be future users of the system, that the changes the new software will bring to current processes will be often be of great benefit to company and to its employees.

Key users will be the first to receive the training on how to operate the software. They must know how the system works in order to evaluate the impact the software will have on the company's current business processes. They will also discuss with the consultants and the package vendor the level of customisation the product will require in order to function appropriately in the company. Key users will help in testing such customisation once it is ready, and they will approve the redefinition of procedures that become necessary in order to use the software correctly within the company.

In most implementation projects, key users actively participate in training other users when the package and procedures, duly adapted to the needs of the company, are ready for normal use.

Analysts. Analysts are professionals from the informatics sector of the company whose responsibility revolves around two principal roles.

First, starting from the premise that these people understand the current systems and business characteristics of the company, they can greatly facilitate the consultants' work of surveying and understanding the present situation. In-house analysts will develop (or co-ordinate the development of) programs to be used for data conversion, and they will help determine how to establish interfaces between the acquired package and the other systems that will remain in operation after the new software is installed. The active participation of the company's informatics professionals is vital to keep consulting fees within the planned budget.

Second, these analysts, distributed and assigned so as to cover all functionality provided by the applications, must thoroughly understand how the package modules within their area of responsibility function, because later, when package is up and running, they will provide user support. Also, once the in-house analysts are trained in the ins and outs of the package they will be able to derive maximum benefit from

the software, in terms of operational and managerial information. When the future versions of the package become available, they may implement the new versions using in-house resources or contracting only limited assistance from consultants.

To monitor the new computing environment, appropriate in-house analysts need to be assigned to the project, the company's objectives for the project need to be made clear to these people from the start, what is to be expected from the participation of informatics personnel needs to be communicated, and the relationship that develop between personnel from both entities (particularly analysts within the company and members from the consulting firm) need to be watched closely. Consultants have their own techniques for checking out the terrain upon which they will tread, and they can usually anticipate problems and avoid them, either by speaking openly with the professional who demonstrates a certain antipathy, or by taking the problem to the project's Executive Committee.

Technological support. Technological support for implementation projects used to be part-time activity earlier, carried out by vendor and company technicians (when available), consultants, or by third parties (firms or freelancers specialised in the type of support). Nowadays this activity has become more and more critical to project success, because of the increasing complexity of systems, supplier diversity, and because the process capacity has to be distributed among hundreds of user sites that are geographically dispersed. Currently it is advisable to plan for technical support to be a full time activity; it is reasonable to see the technical infrastructure tasks as another project that will coincide and interact with the software implementation project.

The project's work plan must allow for the participation of technical staff at appropriate times, and Project Management must guarantee that technical support will be activated in the event that technical problems arise during the development of the project.

Administrative support. Professionals involved in a project of a certain complexity and duration need to have their lives made easier so that they can concentrate the greatest part of their time on the planned activities. Only in this manner will the original objectives be achieved. This means that there are person or group that supports the project by making different things available for the project. These things

can be for example arrangement of the workspace, microcomputers and software and data connections or providing help in dealing with company's bureaucracy, making arrangements for travel and so on.

It is clear that the administrative support function does not necessarily have to be carried out by a fixed group of people; the important thing is that the company needs to acknowledge and understand the needs of a project of this nature and prepare itself to meet these needs in a satisfactory manner, this avoiding administrative conflicts that could interfere with the progress if the work.

The relationship between the project organisation and the parent organisation[4]

Projects are often undertaken by organizations whose main activities go much beyond these projects. These organizations already have a structure for managing their activities, whether it be a functional, product, matrix or hybrid structure, and they are not considering restructuring to accommodate a new project. The problem that the manager faces, then is not which structure to choose for the organization but rather:

- How should the project be positioned with respect to the existing organization, and what relationships should be established between the project and the existing organization?
- How much autonomy and authority should be given to the project manager? What should his or her status be?
- What management practices and systems should be used to manage this project? To what extent should they be different from those in use in the existing organization?

Organizing projects as distinct entities

In order to maximize the chances of project success, it is generally better to organize the project as an entity distinct from the rest of the organization and thus minimize the interdependencies between the project and the rest of the organization. Autonomous projects tend to be more successful, first, because they and their results are more visible and thus attract more management attention. Second, autonomous projects suffer less from conflicts over priorities than activities managed within the existing structure; this facilitates both schedule and cost control. Third, maintaining relationships between the project and the organization means the project manager has more interfaces to manage, more effort to put into coordination, and more authorizations to obtain. In addition, the manager is more exposed to organizational pathologies such as conflicts and power struggles. This requires additional management effort by the project manager and increases project risk.

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[4] Based on Hobs et al. 1993

Integrating the project into the existing structure

However, as obvious the benefits of organizing projects as distinct entities may be, *when an organization undertakes a new project, strong pressures exist to integrate the project into the existing structure and management systems and practices*. These pressures can come from several sources, not least of which is resistance from *department managers* within the existing structure. The decision to create an autonomous unit to manage a project is, at the same time, a decision not to give the project to existing departments and their managers and can be seen as a loss of prestige. *Personnel* may also resist being transferred to the project on a temporary basis, if the assignment is perceived as risky, particularly in terms of reintegration. The setting up of special arrangements for a project requires adaptation and extra effort on the part of *support functions* such as accounting and personnel and they may resist the extra effort. Projects that are organized as distinct units require more effort and attention also on the part of *upper management*. Upper management may thus resist giving special status to a project. Optimal project performance may not mean optimal organizational performance. Many things that organizations do are justifiable from a *global point of view* but not from the more limited point of view of as single project – for example, the development of human resources; the standardization of methods, designs, components, etc.; and the integration of procurement activities into an overall procurement strategy and policy. Project autonomy can be seen as a threat to these integrative activities, and those responsible for them can be expected to resist. If the organization that is to be put in place to manage a particular project involves management practices and behavior patterns that are different from those of the existing organization, then resistance to change can come from more *cultural* sources.

Those pulling for project autonomy are usually the project manager and possibly a core team. On the other side, those pulling for project integration into the existing organization are many, and among them are higher-status managers. This discussion of the pressures toward project integration into the existing organization describes the context within which top management must decide on the appropriate organizational arrangements for a specific project. Many factors intervene, but these can be grouped into three categories:

1. The structural type of the existing organization

2. The factors related to the organization: the organizational contextual factors

3. The factors related to the specific project: the project factors

The choice of an appropriate organizational arrangement for the project depends on these groups of factors and the relationships among them.

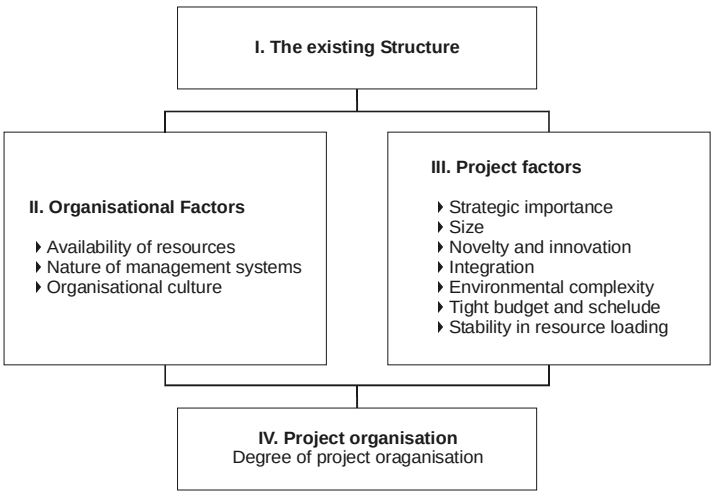

Figure 5: Decision model for the organisational choice for the project

The existing structure

In the analysis of the factors a manager should consider when deciding how to organize a particular project, the organizational type will be discussed first, as this is the most important factor and the one that allows the broadest and most integrative approach.

The functional structure

When a project is integrated into a functionally structured organization, the responsibility is usually assigned to the functional unit that will make the greatest technical contribution to the project. The head of the functional unit must manage the regular activities of the unit, and, in addition, assume responsibility for one or many projects. The functional head can solve the dilemma of increased workload by delegating responsibility for the projects to project managers chosen from among the specialists in his or her unit. However, this can put the specialist in a delicate position with respect to the heads of the other functional units because of his or her lower

status. Furthermore, the project manager within the functional unit often pursues an objective that is compatible with the functional unit's mission. In a situation where a technical specialist becomes a project manager and must seek a compromise among divergent requirements relative to quality, time and cost objectives, it is probable that he or she will favour quality at the expense of time, cost, or both.

There are other difficulties when the responsibility for a multidisciplinary project is assigned to one of the specialties. It is quite possible that the functional head may have difficulty obtaining the necessary cooperation from his or her colleagues in the other functions involved. In addition, the functional head may be tempted not to call upon all of the resources whose contribution could be beneficial to the pursuit of project objectives.

Projects can be executed well within purely functional structures when each project can be executed almost exclusively by one primary function or when the projects can be broken down into subprojects that require little integration and thus can be assigned to different functional departments. Furthermore, functional organizations tend to perform better on projects in which the development of technical content is primary consideration. It would therefore be appropriate to integrate small development projects under reimbursable-cost type contracts into a functional structure by assigning them to appropriate department. Multidisciplinary projects that require the integration of system components, the management of external interfaces, and the negotiation of trade-offs among time, cost, and quality requirements should, however, not be assigned to one department of a functional organisation.

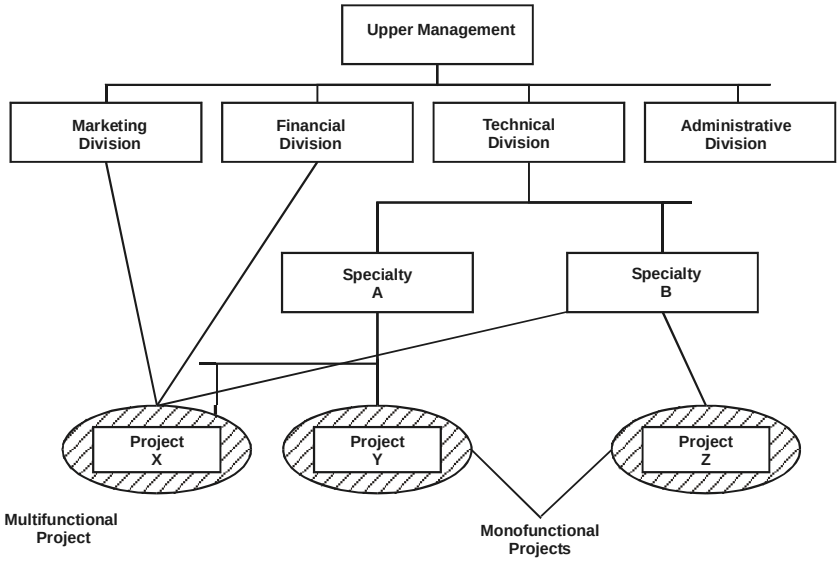

Figure 6: The functional structure

The fully projectized structure

When an organisation is given responsibility for the execution of a major project, it often places the project in a temporary structure more or less independent from the rest of the organisation. This is referred to as a project organisation or fully projectized structure. Many variations exist, but they all have in common a project manager with more or less full authority over his or her resources. Obviously, this type of structure is chosen for special temporary organisations designed to execute one or several specific projects.

As the project manager has no functional responsibility, conflicts in objectives are minimized. However, conflicts may arise in establishing priorities between projects or between the projects and the parent organization concerning the sharing of resources. There is no undue bias for particular specialisation, which permits an effective compromise among the quality-time-cost variables. The project manager has clear authority over his or her resources, which reduces ambiguity and permits better coordination. The disadvantages of the distinct and autonomous project were discussed earlier either as limiting conditions for the use of this structural arrangement or as sources of resistance to its implementation.

The fully projectised structure is thus an appropriate organizational choice for major projects that require systems integration; trade-offs among cost, schedule, and quality; and clear communications channels with outside stakeholders. An

organisation that wishes to execute one such project but feels that its existing structure would not be appropriate may create a temporary independent project organization just for this project.

The project-functional matrix structure

The matrix structure is an organisational structure that seeks to combine the advantages of the functional structure and the project organisation while avoiding their inconveniences. The objective in describing the matrix structure here is not to provide a detailed analysis of this complex structural arrangement but rather to describe the structural context within which an answer must be found to the question as to how to organise a specific project. The project-functional matrix structure is a structure that is designed to manage projects. Most projects would therefore normally be managed through the existing structure. However, projects that because of their specific characteristics could be managed effectively in a functional structure could also be assigned directly to the appropriate functional department in the matrix structure. An example might be a small in-house development project that calls upon the resources of only one department. Likewise, a project whose characteristics would justify the creation of a distinct and autonomous structure could be set up in this way alongside the existing matrix structure. An example of this might be a major project that required the full-time and stable use of considerable resources over an extended period of time or that drew heavily on outside resources. But this would be an exceptional situation.

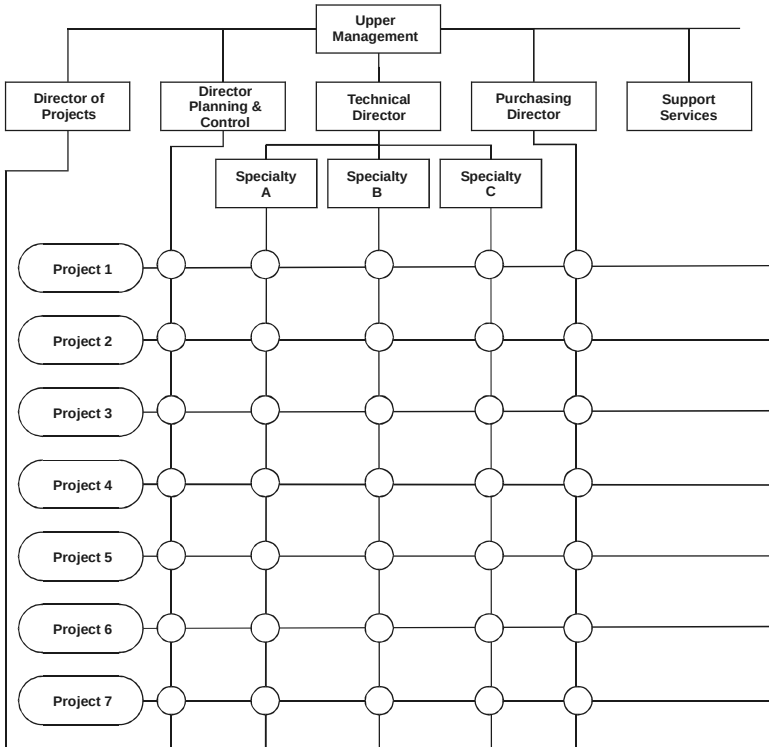

Figure 7: The matrix structure

The organic structures

Small R&D or other highly professional organisations often have organic structures. These are organisations that have few formal structural arrangements. In these organisations, teams form around problems or projects. Recruitment onto project teams is rather informal, as are reporting relationships.

The organic structure works well for small, very creative projects. These can therefore be integrated into the existing organisation by finding a project manager who will champion the project and see that the necessary resources come together to form a project team. However, a project that because of its characteristics could be managed as a separate and distinct unit could be set up as such, parallel to the workings of the existing organisation. An example in this case might be a larger project with more precise requirements or one over which management wishes to maintain tighter control.

Organizational contextual factors

Each of the four organisational types that have been discussed is often associated with a particular organisational context. There are, of course, many ways in which organisations of the same structural type can vary from one to the next. Here, three groups of variables that are particularly relevant to the decision as to whether of not a particular project should be integrated into an existing organisation or set up as a separate unit. These are: (1) the availability of resources; (2) the inadequancy of the organization's management systems; and (3) the organization's culture.

The ready *availability of resources* facilitates the establishing of an autonomous project unit. Inversely, a severe constraint on the availability of a critical resource may necessitate the sharing of resources with the parent organisation. This will reduce project autonomy and partially integrate the project and the organisation. More coordination effort will be needed to adjust to both project and other organisational demands and the project manager will need to devote more time and effort to managing the interface with the department with which the project must share resources.

Projects tend to have very specific needs in terms of planning, control, procurement, delegation of decision-making authority, reporting and other administrative activities. Existing *administrative procedures and information systems* may be more or less adequate in meeting these needs. The less the organisation's existing information systems and administrative policies and procedures are able to adequately serve project needs, the more the project needs to have specific and dedicated systems and procedures. Specific and dedicated systems are almost impossible to establish and maintain except when the project is set as an autonomous unit.

Project management is more than the use of planning and control techniques and a way of organising. It is also a system of attitudes and behavior patterns that can be referred to as a project-management culture. The more the *organisation's culture* differs from the project management culture, the more the project should be isolated from the organisation by setting it up as a separate unit.

The project factors

The way a project is organised should be adapted to the specific characteristics of the project. There are seven factors that should influence the decision on project organisation: (1) the project's strategic importance; (2) the project's size; (3) the project's novelty and the need for innovation; (4) the need for integration; (5) the environmental complexity; (6) the need to meet severe budget and time constraints; and (7) the stability of resource loading.

The greater a *project's strategic importance* for the organisation, the more it should be isolated from the existing structure and set up as a separate unit. This is the case because, as shown before, integrating the project into the existing organisation increases organisational risks, particularly with respect to slow and fragmented decision processes and internal conflict. A project that is detached from the existing structure is also much more visible and subject to management scrutiny.

The greater a *project's size*, the more it is appropriate to set up a separate organisation to manage it. The larger a project is, the more economically justifiable it is to create a separate structure and to assign resources to it on a full-time basis. In addition, managing a very large project within the existing organisation would require major adjustments.

The more a project's content differs from the regular activities of the organisation and the more the project requires *new and innovative solutions*, the more the project should be isolated from the rest of the organisation by being set up as a separate unit. The more a project differs from the organisational activities, the less the organisation's present skills are relevant for solving problems that are specific to the project. But more importantly, if the project requires new and innovative solutions, it is important to protect the project's creative and entrepreneurial efforts.

The more a project needs *internal integration*, the more it should be separated from the existing organisation and set up as a separate unit. Independent project teams are very powerful integrating mechanisms, whereas ongoing organisations can be very poor at obtaining the cooperation between departments that is necessary in order to ensure that their various contributions will be well integrated to produce a coherent

end product. Therefore, if a project requires considerable integrative effort, then it should be set up as a separate and independent unit.

The more complex the project's *external environment* and the more a project's success is dependent on this environment, the more the responsibility for management of external interfaces should be assigned to a project manager in an autonomous unit. Centralising overall responsibility in the hands of the project manager ensures more coherent relations with the environment, while setting up an autonomous unit reduces interference from the hierarchy in the existing structure.

The greater *the need to meet severe budget and/or time constraints*, the more the project should be separated from the existing organisation and set up as an autonomous unit. Project with very tight budget and/or schedules have a better chance of meeting these constraints if they are set up as autonomous units for the following reasons: visibility of results; better control of resources; clear objectives and priorities; isolation from interference from the hierarchy of the existing organisation; and better and quicker access to project information facilitating a quick response to changing situations.

The more constant the *resource levels* required by a project, the more economical and practical it is to dedicate resources to the project and thus create an autonomous project unit. If resource loading varies considerably throughout the project life cycle, then setting the project up as an autonomous unit may result in inefficient use or resources and in considerable effort being spent on managing their mobilisation and demobilisation.

The choice of project organization

As suggested at the beginning of this chapter, the problem of deciding on the most appropriate organisation for a given project often takes the following form:

- Should the project be integrated in the existing structure (whatever it is) or should a more or less autonomous unit created?

- If the second option appears more appropriate, what should be the degree of autonomy granted to that unit?

Therefore, a decision on project organisation is largely a decision as to the project's degree of autonomy from the existing organisation. This can vary from zero autonomy (total integration) to total autonomy (the fully projectised structure). A rational decision-making process regarding the choice of a project organisation can include the following steps: (1) Evaluation of the organisational contextual factors and the project factors; (2) Taking all these things into consideration, making a subjective judgement as to the desired level of project autonomy; (3) Keeping in mind the desired level of autonomy and the factors that have influenced this judgement the most, making a decision as to whether a separate unit should be set up to manage the project or not. This decision must be based on an evaluation of the existing structure. If the existing structure is:

- A projectised structure, the question is usually irrelevant as the organisation regularly establishes new units for its new projects

- A matrix structure, projects requiring a moderate level of autonomy are normally integrated into the matrix because a project in a matrix structure has a moderate level of autonomy. Projects that require very high levels of autonomy should be set up as separate units. Similarly, projects that require a low level of autonomy might be assigned directly to the relevant functional department.

- A functional structure, projects that require moderate to high levels of autonomy should have separate units to manage them.

By following this decision process, the organisation arrive at practical answers to the questions, "Should a separate structure be set up to manage the new project?" and "How much autonomy should be given to the new project?" The level of project autonomy can be influenced by a large number of organisational parameters. Management must make a series of decisions regarding these parameters in such a way that the net effect produces the desired level of project autonomy. The most important parameters include:

- Project manager selection
    - Ability and willingness to function in an autonomous mode and assume full responsibility for project decisions and performance
- Project manager's role and status

    - Percentage of time assigned to the project
    - Reporting level in the organisation and access to top management
    - Degree of responsibility for managing external and internal interfaces
- Project managers' control over resources
    - Proportion of human resources fully dedicated to the project
    - Control over selection and management of resources
    - Control over budget allocations and expenditures
- Project manager's control over project content
    - Authority on technical choices
    - Control over content of mandates assigned inside and outside the parent organisation
    - Control over changes in project content
- Project manager's degree of operational autonomy
    - Project-specific management & control systems, procedures, etc.
    - Project resources that make significant contributions to the project physically located together
    - Physical separation from parent organisation

Conclusions

Basically the project organisation consists from three actors, which are project's steering group, project leader and the project team. As the project's size and effects to the base organisation grows there is need to add new members to the project organisation. These additional members may be for example expert / counselling group, administrative support group and the project secretary. The size of the project is not the only thing that has influences to the project organisation. Also the type may cause changes to the basic structure. Of course the structure of the project organisation on the form of the base organisation.

When starting a new project, the organisation must decide how the project should be positioned with respect to the existing organisation and how much autonomy should be assigned to the project manager. In can be concluded, that in order to maximize the chances of project success, it is generally better to organize the project as an entity distinct from the rest of the organization and thus minimize the interdependencies between the project and the rest of the organization. However, strong pressures exist to integrate a new project into the existing structure and management systems and practices. Those pulling for project autonomy are usually the project manager and possibly a core team. On the other side, those pulling for project integration into the existing organization are many, and among them are higher-status managers. Many factors intervene on the decision on the appropriate organisational arrangements for a specific project. These can be grouped into three categories: the structural type of the existing organization, the factors related to the specific organization and the factors related to the specific project.

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