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Case 3.1



Moss and McAdams Accounting Firm

Bruce Palmer had worked for Moss and McAdams (M&M) for six years and was just promoted to account manager. His first assignment was to lead an audit of Johnsonville Trucks. He was quite pleased with the five accountants who had been assigned to his team, especially Zeke Olds. Olds was an army vet who had returned to school to get a double major in accounting and computer sciences. He was on top of the latest developments in financial information systems and had a reputation for coming up with innovative solutions to problems.

M&M was a well-established regional accounting firm with 160 employees located across six offices in Minnesota and Wisconsin. The main office, where Palmer worked, was in Green Bay, Wisconsin. In fact, one of the founding members, Seth Moss, played briefly for the hometown NFL Packers during the late 1950s. M&M's primary services were corporate audits and tax preparation. Over the last two years the partners decided to move more aggressively into the consulting business. M&M projected that consulting would represent 40 percent of their growth over the next five years.

M&M operated within a matrix structure. As new clients were recruited, a manager was assigned to the account. A manager could be assigned to several accounts, depending on the size and scope of the work. This was especially true in the case of tax preparation projects, where it was not uncommon for a manager to be assigned to 8 to 12 clients. Likewise, senior and staff accountants were assigned to multiple account teams. Ruby Sands was the office manager responsible for assigning personnel to different accounts at the Green Bay office. She did her best to assign staff to multiple projects under the same manager. This wasn't always possible, and sometimes accountants had to work on projects led by different managers.

M&M, like most accounting firms, had a tiered promotion system. New CPAs entered as junior or staff accountants. Within two years, their performance was reviewed and they were either asked to leave or promoted to senior accountant. Sometime during their fifth or sixth year, a decision was made to promote them to account manager. Finally, after 10 to 12 years with the firm, the manager was considered for promotion to partner. This was a very competitive position. During the last 5 years, only 20 percent of account managers at M&M had been promoted to partner. However, once a partner, they were virtually guaranteed the position for life and enjoyed significant increases in salary, benefits, and prestige. M&M had a reputation for being a results-driven organization; partner promotions were based on meeting deadlines, retaining clients, and generating revenue. The promotion team based its decision on the relative performance of the account manager in comparison to his or her cohorts.

One week into the Johnsonville audit, Palmer received a call from Sands to visit her office. There he was introduced to Ken Crosby, who had recently joined M&M after working nine years for a Big 5 accounting firm. Crosby was recruited to manage special consulting projects. Sands reported that Crosby had just secured a major consulting project with Springfield

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Metals. This was a major coup for the firm: M&M had competed against two Big 5 accounting firms for the project. Sands went on to explain that she was working with Crosby to put together his team. Crosby insisted that Zeke Olds be assigned to his team. Sands told him that this would be impossible because Olds was already assigned to work on the Johnsonville audit. Crosby persisted, arguing that Olds's expertise was essential to the Springfield project. Sands decided to work out a compromise and have Olds split time across both projects.

At this time Crosby turned to Palmer and said, "I believe in keeping things simple. Why don't we agree that Olds works for me in the mornings and you in the afternoons? I'm sure we can work out any problems that come up. After all, we both work for the same firm."

SIX WEEKS LATER

Palmer could scream whenever he remembered Crosby's words "After all, we both work for the same firm." The first sign of trouble came during the first week of the new arrangement when Crosby called, begging to have Olds work all of Thursday on his project. They were conducting an extensive client visit, and Olds was critical to the assessment. After Palmer reluctantly agreed, Crosby said he owed him one. The next week, when Palmer called Crosby to request that he return the favor, Crosby flatly refused and said any other time but not this week. Palmer tried again a week later and got the same response.

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At first Olds showed up promptly at 1:00 p.m. at Palmer's office to work on the audit. Soon it became a habit to show up 30 to 60 minutes late. There was always a good reason. He was in a meeting in Springfield and couldn't just leave, or an urgent task took longer than planned. One time it was because Crosby took his entire team out to lunch at the new Thai restaurant—Olds was over an hour late because of slow service. In the beginning Olds usually made up the time by working after hours, but Palmer could tell from conversations he overheard that this was creating tension at home.

What probably bothered Palmer the most were the e-mails and telephone calls Olds received from Crosby and his team members during the afternoons when he was supposed to be working for Palmer. A couple of times Palmer could have sworn that Olds was working on Crosby's project in his (Palmer's) office.

Palmer met with Crosby to talk about the problem and voice his complaints. Crosby acted surprised and even a little hurt. He promised things would change, but the pattern continued.

Palmer was becoming paranoid about Crosby. He knew that Crosby played golf with Olds on the weekends and could just imagine him badmouthing the Johnsonville project and pointing out how boring auditing work was. The sad fact was that there probably was some truth to what he was saying. The Johnsonville project was getting bogged down, and the team was slipping behind schedule. One of the contributing factors was Olds's performance. His work was not up to its usual standards. Palmer approached Olds about this, and Olds became defensive. Olds later apologized and confided that he found it difficult switching his thinking from consulting to auditing and then back to consulting. He promised to do better, and there was a slight improvement in his performance.

The last straw came when Olds asked to leave work early on Friday so that he could take his wife and kids to a Milwaukee Brewers baseball game. It turned out Springfield Metals had given Crosby their corporate tickets, and he decided to treat his team with box seats right behind the Brewers dugout. Palmer hated to do it, but he had to refuse the request. He felt guilty when he overheard Olds explaining to his son on the telephone why they couldn't go to the game.

Palmer finally decided to request an urgent meeting with Sands to resolve the problem. He got up enough nerve and put in the call only to be told that Sands wouldn't be back in the office until next week. As he put the receiver down, he thought maybe things would get better.

TWO WEEKS LATER

Sands showed up unexpectedly at Palmer's office and said they needed to talk about Olds. Palmer was delighted, thinking that now he could tell her what had been going on. But before he had a chance to speak, Sands told him that Olds had come to see her yesterday. She told him that Olds confessed he was having a hard time working on both Crosby's and Palmer's projects. He was having difficulty concentrating on the auditing work in the afternoon because he was thinking about some of the consulting issues that had emerged during the morning. He was putting in extra hours to try to meet both of the projects' deadlines, and this was creating problems at home. The bottom line was that he was stressed out and couldn't deal with the situation. He asked

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that he be assigned full time to Crosby's project. Sands went on to say that Olds didn't blame Palmer; in fact, he had a lot of nice things to say about him. He just enjoyed the consulting work more and found it more challenging. Sands concluded by saying, "I told him I understood, and I would talk to you about the situation and see what could be done. Frankly, I think we should pull him from your project and have him work full time on Crosby's project. What do you think?" page 100

1. If you were Palmer at the end of the case, how would you respond?
2. What, if anything, could Palmer have done to avoid losing Olds?
3. What advantages and disadvantages of a matrix-type organization are apparent from this case?
4. What could the management at M&M do to manage situations like this more effectively?

Case 3.2



Horizon Consulting

Patti Smith looked up at the bright blue Carolina sky before she entered the offices of Horizon Consulting. It was Friday, which meant she needed to prepare for the weekly status report meeting. Horizon Consulting is a custom software development company that offers fully integrated mobile application services for iPhone™, Android™, Windows Mobile®, and BlackBerry® platforms. Horizon was founded by James Thrasher, a former marketing executive, who quickly saw the potential for digital marketing via smartphones. Horizon enjoyed initial success in sports marketing but quickly expanded to other industries. A key to their success was the decline in cost for developing smartphone applications, which expanded the client base. The decline in cost was primarily due to the learning curve and ability to build customized solutions on established platforms.

Patti Smith was a late bloomer who went back to college after working in the restaurant business for nine years. She and her former husband had tried unsuccessfully to operate a vegetarian restaurant in Golden, Colorado. After her divorce, she returned to University of Colorado, where she majored in management information systems (MIS) with a minor in marketing. While she enjoyed her marketing classes much more than her MIS classes, she felt the IT know-how she acquired would give her an advantage in the job market. This turned out to be true, as Horizon hired her to be an account manager soon after graduation.

Patti Smith was hired to replace Stephen Stills, who had started the restaurant side of the business at Horizon. Stephen was "let go," according to one account manager, for being a *prima donna* and hoarding resources. Patti's clients ranged from high-end restaurants to hole-in-the-wall "mom and pop shops." She helped develop smartphone apps that let users make reservations, browse menus, receive alerts on daily specials, provide customer feedback, order take-out, and in some cases order delivery. As an account manager she worked with clients to assess their needs, develop a plan, and create customized smartphone apps.

Horizon appeared to be a good fit for Patti. She had enough technical training to be able to work with software engineers and help guide them to produce page 101