Rialto Report: Successfully Operating in Matrix Organisations
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Introduction & Historical Context of Matrix Management

Organisational structures can help or hinder performance. In a global economy anything that creates bottlenecks and slows up decision-making is an obstacle. Two critical OD design factors impact success:

- Hierarchical management
- Functional silos

The solution is to drive and develop teams based around co-ordination, co-operation and flexibility. The matrix model originated from the recognition that companies not only have vertical chains of command but that people also work horizontally, across functions.

Encapsulating this principle is to manage people across functions (collaboratively) on key projects in order to achieve strategic objectives.

However, it is not just about intrinsic organisational design; it is about managing culture and behaviour.

Although all matrix forms have inherent flaws, CEOs adopt the matrix because they:

- Allow companies to focus on multiple business goals;
- Facilitate the management of information;
- Enable companies to establish economies of scale; and
- Speed up response to demands.

Its origins can be traced back to the US space programme of the 1960’s when President Kennedy outlined his vision to put man on the moon. In order to achieve such an objective NASA had to revolutionise its project approach and so the “matrix organisation” was born – to facilitate and manage the multi-disciplinary expertise required to achieve such a complex goal.

Other key organisations pioneering this approach included Xerox, Digital Equipment Corporation and Citibank. However, by the 1980’s, it was clear that it wasn’t such an easy task due to the cultural and behavioural complexity.

By the 1990’s matrix management had found a new form, in the manifestation of empowerment and virtual teams, where the focus was increasingly on customer service and speed of delivery.

Nevertheles, the vulnerability of the matrix to pressure from competing managers will always be a problem.

Q: How can this be mitigated?
Matrix Management

Matrix Management is a type of organisational management in which people with similar skills are pooled for work assignments. For example, all engineers may be in one engineering department and report to an engineering manager, but these same engineers may be assigned to different projects and report to a project manager while working on that project. Therefore, each engineer may have to work under several managers to get their job done.

Typical Matrix Organisational structure:

Key Roles
There are three key roles in a matrix organisation, each of which have specific responsibilities to make the matrix structure work:

- **Matrix Leader** -- The matrix leader is the common point above both matrix bosses. The matrix leader needs to ensure that the power balance is maintained. This is done by delegating decisions and encouraging collaborative problem solving.

- **Matrix Managers** -- The matrix managers must collaborate with each other to delineate activities which they are responsible for.

- **Matrixed employees** -- The matrixed employee is an integrator. They have more responsibility with less direct authority. They must “manage upwards” and facilitate resolution of conflicting demands from the two matrix managers. The matrixed employee must be able to maintain relationships with both managers and manage a dual loyalty. However, employees who are able to utilize these skills to operate in a matrixed environment can accomplish much more difficult tasks than non-matrixed employees typically can, because of the increased channels of information and influence.

Q: Development needs?
Conditions and Rationale for a Matrix Organisation

The matrix tends to be the best structure when three conditions exist:

- There are pressures for shared, flexible use of resources across geography or products. This is often due to financial or budgetary constraints.
- Information processing needs are high because of a highly complex and uncertain environment. There is high complexity because of many different factors which must be considered and/or because there is a high degree of interdependence between many different parts of the organisation.
- Resources must be responsive to two or more sectors (i.e. focus on two or more critical outputs.) This dual pressure requires a balance of power between the functional perspective and the geographic (or product) perspective.

The matrix organisation creates conflicts of interest and forces them to be resolved. When conflicts arise, the individual and both bosses have to resolve the conflict by having discussions about the issues on which they disagree, in order to develop a compromise solution which reflects both viewpoints.

Q: Is compromise driving high performance working?

Misaligned Goals

A primary challenge of operating in matrix organisations is aligning goals among many different dimensions.

Points of Intervention

- Manage competing or conflicting objectives between matrix dimensions.
- Define adequate processes to align goals and detect possible misalignments.
- Manage synchronization, coordination, and timing of work plans and objectives.
- Manage communication and consultation between matrix dimensions.

Unclear Roles and Responsibilities

Confusion over roles and responsibilities is a problem in almost all matrix organisations.

Points of Intervention

- Clear guidelines and descriptions on roles/areas of responsibility;
- Assignment of accountability for business objectives;
- A single point of contact for information or approval for areas of responsibility;
- A set plan for communication and information sharing (e.g., monthly meetings, newsletters, quarterly company/unit performance).
Responsibility without Authority

In the matrix, leaders can have **responsibility without authority** as a result of the dual reporting structure.

Points of Intervention

- Manage confusion over who has the final authority.
- Manage clarity on areas of accountability.
- Leaders may be unaccustomed to sharing decision rights.
- Compensate for possible delay in decision-making process.

Employee Behaviour

Employee behaviour is perhaps the most **critical challenge** that matrix organisations face.

Organisations must enable their employees to behave as one company.

Critical Issues to Manage

- Personal conflicts between leaders hindering collaboration between units.
- Withholding resources from others.
- Lack of trust between employees in different business units.
- Employees lack the requisite skills to function in the matrix.
- Insufficient communication between different business units.
Advantages & Disadvantages of Matrix Management

Advantages:

The basis for the **matrix organisation** is an endeavour to create synergism through shared responsibility between project and functional management. Other advantages of a pure matrix organisational form, to project management, include:

- Because key people can be shared, the project cost is minimized
- Conflicts are minimal, and those requiring hierarchical referrals are more easily resolved
- There is a better balance between time, cost and performance
- Authority and responsibility are shared
- Stress is distributed among the team
- Achieves coordination necessary to meet dual demands from the operating environment
- Provides flexible sharing of resources
- Suited for complex decision making in unstable environments with high information processing requirements
- Provides opportunities for both function and product knowledge development
- Allows team members to share information more readily across task boundaries.
- Allows for specialisation that can increase depth of knowledge and allow professional development and career progression to be managed.

Disadvantages

The disadvantage of matrix management is that employees can become confused due to conflicting loyalties. The belief is that a properly managed cooperative environment can neutralise these disadvantages. Other disadvantages include:

- Dual authority can be frustrating and confusing, leading to higher stress for the shared resources
- Employees can become confused due to conflicting loyalties
- Complex and difficult to implement
- Shared resources require excellent interpersonal skills and training
- Frequent meetings and conflict resolution sessions are required
- Requires a collegial (rather than hierarchical) culture
- Requires offsetting pressures to maintain the dual focus
- Doubles the number of managers when compared to line managers and as the time to reach a decision increases with the number of managers the result may be an increase in management related overhead expenses.
- Opponents to matrix management believe that it is an outdated method to organise a company

Factors for Successful Matrix Operation
The following factors are from: Dale D. McConkey, “Across the Hierarchy: A look at the future” (Business Quarterly, V 45 (2), Summer 1980, pp. 44-50). While they are focused more on matrixed project teams, many of the factors also apply to permanent matrixed positions:

- Top management understanding of matrix -- and support of its use
- Commitment by functional departments to matrix organisation and projects
- Willingness to use a flexible approach to matrix -- no one way exists
- Willingness to let matrix evolve
- Selection of competent matrix leaders
- Clearly defined responsibility and authority of the matrix team
- Approved objectives, plans and budgets for the team
- Maximum efforts to foster team effort
- Skills in conflict resolution
- Concentrate on the results -- leave considerable flexibility to functional departments to determine the “how to”
- Careful and continuous planning to reduce uncertainties
- Heavy emphasis on lateral communications among functional departments
- Effective systems for multiple performance evaluations
Key questions to consider:

- Why do we have a matrix structure and what's the benefit to me and the organisation?
- How do I operate effectively with responsibility and accountability without authority?
- How do I manage the expectations of multiple bosses?
- What is the best way of dealing with ambiguous and shifting reporting lines?
- How can I best influence those separated by distance/time/culture?
- How do I manage communications?
- How do I manage conflict?
- How do I develop routine relationships?
- How do I clarify role specifications / performance objectives?
Examples of Matrix Organisational structure:

There are distinct types of matrix system, designed to balance the ability struggle-struggle between the managers conflicting needs. The principal types are these matrix organisations is listed below.

Weak Matrix

This type of matrix organisation structure is nightmarish for Project Managers. In the weak matrix organisational structure, project managers are effectively reduced to being project facilitators. They draw plans and supervise the execution, but they have no genuine control over personnel, and are nearly completely reliant upon the functional managers to offer resources.

The workers have less allegiance to the project managers (or the plan), because it is the functional managers who determine the progress of the workers. And the workers’ progress is normally measured solely on the work that is done for their functional manager — not on their project work — thus it is a fact that working on a project may be seen by the worker as not desirable as they will have less time in doing their functional work, so the project manager may see them as unmotivated.

And as the PM has no genuine control over the project members, so they frequently have to report the problem of workers not doing their duties, to the functional managers in anticipation that they will motivate to the workers to perform more on the project.

But recall that the functional managers are primarily accountable for the operation of their own areas, so their workers performing plan tasks can really cut the productivity of their region (frequently projects are ignored in the benchmarks. So this leads to a clear-cut dispute of stake between the PM, the functional managers and the respective workers.

In this position the PM normally loses — and that’s the simple to recall it — the PM is feeble in a feeble matrix.

Strong Matrix

All these problems led to the introduction of the “strong matrix” organisation structure

In the strong matrix organisational structure, the tables are reversed from the weak matrix organisation structure. The intent is that project managers that are responsible for the workers, rather than the line managers. But the project managers are not accountable for the human resource management.

This gives project managers the power to handle the workers directly, and therefore adequately handling the entire project, but without involving the project managers upward in HR administration.

Plan managers manage groups and are accountable for everything with the exception of the HR functions. Plan managers that manage groups would have the Project manager in a role with lone authority and obligation to direct their work, but they also had staff managers who took care of anything that was not project-related, i.e. performance reviews (provision should be made to input to these) training, holiday management, contracts for employments etc.

Therefore it would be possible for the Plan managers to focus on project management entirely.

So, when a manager for a project starts a new one, they discuss their staffing demand with the functional managers and the functional managers seek to have the resources accessible (and offer education for them, where needed). Normally, the functional managers will sketch out plans and charts (e.g. Gantt charts) of how “their folk” will be included inside projects, and they might move personnel between projects and project managers as required (after making inquiries with the project managers).
Effectively the Plan manager and the project managers work jointly, but the whole command of everything project-related is the role of the plan manager—then in a powerful matrix, the plan manager is the stronger.

Balanced Matrix

There is an old saying, “power corrupts, and absolute power corrupts absolutely.” In each variation of the matrix organisation structure there is a battle for control, hence power. There needs to be some manner to bring each into equilibrium, otherwise one group will rule the other, to the disadvantage of the project, and finally to the detriment of the organisation all together (although private projects or functional areas may bloom for sometime). A really dominant project manager, for instance, might bully functional managers into always giving them the best team members for their projects.

One way to reduce these difficulties is to have rules within the organisation that varies who can handle a worker, depending upon certain circumstances. For instance, there could be a regulation that says if a worker is to work on a project for less than one week the functional manager (or project manager) has lone command over the worker, but if the demand is for longer than one week, command changes hand. Or there may be rules that the same worker cannot work for same project manager, on two back-to-back projects.

There are many potential rules that could be made, but the goal is to equalize the power between the project managers and the functional managers so as not to have a win/lose position. This is why this matrix organisation structure is referred to as a “balanced matrix”.

So whether the organisational structure is feeble, powerful, or stable, the “power” is always from the standpoint of the project manager.
Conclusions - Concluding Food For Thought

Mid-level and top-level managers face different challenges in matrix organisations. Specifically, top-level managers, in comparison with mid-level managers cite:

- Misaligned goals as a challenge.
- Report that the matrix ‘guardian’ is a key success factor for optimal matrix performance.

In contrast, more mid-level managers cite:

- Ambiguous roles and responsibilities as a challenge.
- Ambiguous authority.
Appendix One: Key articles on Matrix Management, pros, cons and case studies:

- Advantages of Matrix Organisational Structure:

- Small PowerPoint presentation of Matrix and e.g. of Martha Stewart!:
  http://www.authorstream.com/Presentation/SueYee07-226345-matrix-organisational-structure-sueyee07-organisation-chart-presentation1-education-ppt-powerpoint/

- Advantages/ Disadvantages, Definition and BAYER AG case study:

- Matrix Management: Not a Structure, a Frame of Mind:
  http://hbr.org/1990/07/matrix-management/ar/1

- Another great article with good description of matrix management, bullet points on key challenges of working in matrix, how to lead and work in matrix and possible effects of Matrix on people and organisations:
  http://blogs.hbr.org/corkindale/2008/06/surviving_matrix_management.html

- Lengthy article - Cross-functional structures: a review and integration of matrix organisation and project management (some useful points made):
  http://findarticles.com/p/articles/mi_m4256/is_n2_v18/ai_12720959/?tag=content;col1

- Book on matrix organisation –the book description lists companies operating under matrix (IBM, NOKIA and Proctor and Gamble):
  http://www.amazon.co.uk/Designing-Matrix-Organisations-That-Actually/dp/0470316314

- Good article listing drawbacks and how to create a successful matrix:
  http://findarticles.com/p/articles/mi_go2446/is_4_26/ai_n7043506/?tag=content;col1

- Great article – definition, advantage and disadvantages and case study BAYER AG:

- Great article – brief and to the point on pros, cons, examples and comments from people who have worked in Matrix organisations and comments from the author of the article:
  http://www.businessweek.com/debateroom/archives/2009/08/matrix_is_the_l.html

- Interesting article on history of, and problems associated with Matrix org structure:
  http://hbr.org/1990/07/matrix-management/ar/1

- Another great article with good description of matrix management, bullet points on key challenges of working in matrix, how to lead and work in matrix:
  http://blogs.hbr.org/corkindale/2008/06/surviving_matrix_management.html

- Article contains a list of companies using structure:
  http://www.lifeinamatrix.com/?p=182

- Good article on problems and companies using matrix:
  http://hbr.org/1978/05/problems-of-matrix-organisations/ar/1
Appendix Two: Matrix Management Pyramid:

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