

Most of us work in a matrix organisation and have to contend with the conflicts of delivering to several functions, processes and project managers, all at the same time.

Is it possible to master the complexity of managing within a matrix?

In the following article the author discusses and demystifies the concept of the matrix organisation and suggests the key issues that need to be resolved to 'decode' the matrix and add value to the organisation.

*In this article Philip Atkinson uses the output from one of his Training Workshops to illustrate the purpose, the benefits, the design and the key issues that need to be explored to create a 'matrix organisation' that works. He suggests that we need to look at the 'matrix' differently - not as a structure but as a process that operates as a self-renewing feedback mechanism, constantly redesigning and regenerating itself.*

Recently I was talking with several participants in a 'Change Management' workshop about the concept of matrix management. We all agreed it was still an issue that most organisations needed to master. We examined the evolution of organisational design and how more and more businesses were having difficulty designing flexible structures that allowed for a high degree of change or uncertainty in the business environment. We agreed that designers of such structures need to be aware of a multitude of variables that would impact upon the structure of the business and how the design was critical to enable the organisation to deliver to its customers and its key stakeholders. We got to the stage where we wondered if the structure was suitable at all because any significant shift in the business environment could make redundant the existing structure and mix of inter-

relationships and roles overnight. This prompted further questions and debate - the result of which has been this brief article.

This paper is a summation of the thoughts of seven senior staff: three from Financial Services; one from a Local Authority, one from a Hospital Trust and two from separate Manufacturing organisations (and myself). The content of this paper reflects the debate and concerns of the group. We would further ask readers: - are these concerns representative of other businesses? And have your organisations finally cracked and 'decoded the matrix' to make it business as usual?

What we finally concluded is that we really need to get to grips with creating the culture that supports the matrix structure if it is ever going to work for us in times of accelerating change. The article follows the topics as we addressed them in open debate.

### What is the Matrix organisation?

A matrix organisation (for the sake of brevity now referred to as 'matrix') is based on the concept that horizontal relationships across the organisation are just as important as the traditional reporting relationship within a typical functional organisation. The matrix structure is seen as an intricate latticework where people and roles are interwoven in delivering service within functions and to projects and processes laterally across the business.

Matrices are complex models of organisation that demonstrate the inter-relationships that exist between people who deliver a particular service to each other. Traditional models of hierarchy, based upon the classical school of organisational design, focus primarily on reporting relationships within functional entities. Matrix organisation focuses upon multiple relationships. No one matrix structure will appeal to all businesses. Matrix gathered ground in the 1960's and earlier in high tech industries.

NASA and other highly complex military or high tech organisations first gathered their expertise in this area and now most organisations tend to be organised on these lines.

### What are the major problems associated with matrix organisations?

The major problems appear to be around having multiple reporting when the organisation still primarily rewards people for behaving in a functional manner. It can be pretty confusing when a technical expert from a specialised department is not only responsible to her or his functional head, but also to leaders of other projects.

'What are people rewarded for achieving' sums up the key issue that leads to the failure of 'matrix' taking hold and working as an organisational concept. If we continue to reward people for getting better at what they do principally within the function then that is where they will focus attention. It matters

# Managing Chaos in a Matrix World

by Philip Atkinson



little telling people that their contribution to other projects or processes is critical if they continue to be rewarded in the same old way. It stands to reason that innovative and flexible HR policies on reward and recognition have to be developed in order to emphasise the importance of behaving in a 'matrix' manner. Although this is fairly obvious even the most sophisticated organisations have failed to master this quandary.

Career development and appraisal are other potential nightmares for the unwary organisation that simply divides up assessments on performance management around the key stakeholders of critical projects. A performance management process that works has to take account of all those in the supply chain to whom each individual is critical in performing a process, and thus a complex variant of 360 degree performance review is the only answer.

Matrix organisations are relatively easy to understand but difficult to manage. One of the practical difficulties is that with fewer and fewer middle managers in the average organisation – on what projects does the middle ranking specialist focus her or his energies when resources are scarce? There has to be a delicate negotiation between the direct line manager and various project managers or process owners in order for any conflict to be resolved. As all businesses are focusing on 'achieving more with less' it becomes even more difficult to prioritise around functional and process or project needs. It is clear that 'matrix' must be clearly thought through to work well.

### How important is creating a matrix to the success of the business?

It is fairly obvious that 'matrix' is the only appropriate approach to managing organisations that are subject to change. In the old days, the traditional form of organisation worked well – 'top down' with little 'bottom-up' flow of communication. But as the natural environment for most organisations becomes less predictable the need to manage with ambiguity has to become a major core competence. This cannot be achieved through the traditional approach.

### Matrix requires staff to become 'customer facing' even though they may never meet the customer!

Bear in mind that functional specialities no longer define an organisation's purpose. The processes that flow across the functions are the most important aspect of the business. The flow of information from 'customer enquiry or order' to 'delivery' is what makes the organisation tick. When functional units take over, it confuses people in the business as to why they are there and how this fits with supplying the customer or consumer with a service or goods. Redefining the attitude of staff to understand that customer facing staff performance is critical to the survival of the business is difficult to instil, when most who work in processes never see or meet the customer.

Redefining support staff as 'being critical to staff who **do** interact with the customer' is very high on the list of retuning the organisation's culture.

### What are the key contingent factors?

#### Uncertainty in the business environment

– Organisations need to continually scan their environment to assess the most dominant factors which expose the organisation to risk. By undertaking a 'vulnerability analysis' as part of the strategic planning process the organisation can then determine where it is most at risk. Obviously, the type of organisation and the market it operates within will determine the relative importance of certain factors. Technological change, innovation, new entrants into the market, changes in tastes and habits of customers and consumers, legislation, regulation – including government activity, changing social and cultural factors and economic conditions are just a few of the factors that any organisation must compute to assess how change can impact on its functioning.

If change is perceived as slow and the environment as steady, with a high degree of predictability, the organisation is extremely fortunate. Very few organisations would enjoy such conditions and can afford to organise themselves around traditional principles. Generally speaking, organisations go through a 'life cycle' where at one time they master their environment but, because of circumstances or poor organisational and environmental scanning, they lose control and instead of anticipating events they have to constantly fire-fight and respond as best they can. Clearly, a fully functioning 'matrix' organisation enjoys the benefits of being able to predict events with some certainty and therefore use resources to support preventative measures and strategies rather than waste resources trying to catch up.

**Adaption to Change** – Some organisations do not have the luxury of being able to read their environment and predict events as they would like. Although they invest their resources in doing so this activity is often not sufficient to read what is happening in the marketplace. In these circumstances the organisation then has to develop a strategy to tackle their problems. They have to develop a capability of dealing with unpredictable change that arises tackling problems head on and dealing with the issues as they evolve. These organisations commit resources to develop 'change masters' and focus a great deal of energy on the training and development of staff at all levels to cope with ambiguity when it arises. It is a challenge to work in this business and time goes very quickly! People learn quickly and competitors who fail to develop the same degree of change competence soon find themselves out of business.

#### Differentiation and Integration –

The simple rule to understand just how complex the 'matrix' needs to be, is to rate the degree of differentiation or specialisation that exists within and between business units. If the organisation has a high degree of differentiation where the difference in functions is



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***"Re-engineering may be a fine start but without the culture to sustain the 'matrix' – with people sharing and implementing the solutions to problems across the organisation – the matrix business will never really surface."***



very wide-ranging and complex the organisation has to develop integrative devices to ensure that speedy transfer of knowledge and decision-making exists between the highly specialised units. If differentiation is very high the focus must be continually on devising more accurate integrative systems to manage the effective transfer and communication of knowledge around the organisation.

We often find that many business organisations have failed to develop effective 'integrative systems' and thus 'silo management' exists and the degree of organisational knowledge is very low. This results in some parts of key processes failing, especially between specific functions across the organisation. At this interface the risk to the continuation of business can be extreme and it requires substantial investment to re-engineer the process to set up and develop the culture to support 'differentiation - integration'.

**Levels of Management** – In order to increase their speed of response to situations organisations have seen that tiers of management create problems and slow down the flow of critical information between the coal face and delivery. Many, (if not most) businesses have right-sized their organisation and reduced levels of management. As the levels of management decrease and fewer managers are dealing with increasing pressure the only way to reduce intensity is to delegate work and responsibilities. A flat structure requires a high degree of empowerment in those who compose and organise the activities of key teams. An organisation without the commitment to develop the capability of even the most junior staff, to seek and take responsibility, will fail to make 'matrix' work. Matrix can only work when there is a high degree of overlap in team responsibilities, and this requires a high degree of trust.

**Centralisation / Decentralisation** – An organisation maintaining a high degree of centralisation of resources and decision making can create major problems for itself. It is confusing for organisational members to be told they work in a matrix culture where responsibilities flow across functional boundaries if these same people are not able to make decisions and take charge of channeling resources to where they are required most. Frustration levels very soon increase.

### **Why is it important to build the matrix around the characteristics of the new organisational model?**

When building a matrix organisation it is wise to have the mindset of the new rather than old organisation. The old steep hierarchy with multiple levels of management has been replaced by the flat organisation with minimal layers, or the hourglass model. The hourglass has a large number of specialist staff at the top of the business but is managed by a smaller group of middle managers geared to integrating events. The organisation is peopled by a large number of customer facing staff – probably based in process teams. Some say the hourglass is a retrograde step but I disagree. I worked with one organisation, in Financial Services that had 19 people in the top team. Some would say this was too large but the requirement for specialist knowledge is very intense in very specific fields of expertise. In this organisation, the MD stated that managing the activities of 19 people was not a problem of too far ranging span of control. His response to any comments on the top team being large was "I only manage the difficult ones"! It goes without saying the culture of the business was so intensively geared to cooperation and working together across boundaries the 19 top team members did not even think of their MD as a boss, more an orchestrator of events.

### **New Organisational Configurations**

Network and Virtual businesses are the order of the day and predominate in any fast moving industry sector. Multiple organisations can trade off a common platform and still be extremely effective. In one of my client companies they created a flat platform and built five Brand companies that were supported by the platform. The products and services on offer were all services provide by the parent company but the specific products and markets were highly differentiated. Developing sales and marketing entities to please very different customer profiles was achieved with the support of error free processes provided by the platform organisation. Increasingly, organisations will adopt the 'Virtual' model and, in order to do so, must perfect their understanding and practice of matrix skills and the ability to build a matrix culture.

## What is the ultimate form of the Matrix organisation and how can we build it?

The ultimate form is the virtual business that exists for only the length of time of any extended 'life cycle' of product, customer, market – or all three combined. Virtual organisations may survive only as long as it takes for a change in fashion or habits to filter through the marketplace and customer base. Successful organisations will reinvent themselves continuously and this can only be achieved by developing a self-generating culture.

Process and integrative mechanisms to unite the matrix and close any loops are only partly system driven. The success of any of these processes is founded purely on the quality of people who work the process and the quality of leaders who manage them. If virtual businesses require those who work the process to make informed decisions, they will have to listen to them in terms of their preferences for how they are led and motivated. Some teams will focus on becoming self-managing but many will still require formal input and advice from coaches to manage the matrix effectively.

## The Learning Organisation – Matrix is a Process not a Structure

A learning organisation is focused upon processing information, forming decisions and implementing them in order to continue their field of operations. Building a learning organisation is extremely complex and starts with cultural change. When staff who lead large organisations recognise that 'matrix' goes well beyond roles and responsibilities they will realise that it is really a process.

The 'matrix' should provide information upon which its key actors – those who work the processes – reinvent the organisation and its key flows and ways of working to accommodate predicted changes. For many organisations this is a major

departure from seeing matrix as integration of core interfaces in the supply chain.

Designing a matrix organisation is never simple. It is an evolving process that requires the input of a variety of people. The design of an effective matrix organisation has always been a fascinating process because the 'actual design' of the organisation and the overlapping relationships between functions, roles, processes and people can never be sketched out and neatly presented in a two dimensional format.

## Summary

The reality of many organisational structures is that they should be designed around the strategy of the business. Form follows direction. The goals that an organisation pursues determine the structure to deliver the results. We all know that organisations should restructure their activities continuously. You may note that many do – but often for internal reasons driven by the politics of change rather than the rationality of the marketplace. Organisational structures should evolve over time and if the organisation has a handle on its environment and can predict, within constraints, the major pressures they will encounter, they will find that structural change is seen as natural and welcomed by organisational members because they see the approach as prolonging and ensuring the continuation of the organisation into the future.

In the introduction I referred to a discussion with a panel of senior people attending a Change Management workshop. We debated all the above issues and found the single most important thing to which organisations could commit their resources was to create a culture that would support a matrix organisation. Re-engineering may be a fine start but without the culture to sustain the 'matrix' – with people sharing and implementing the solutions to problems across the organisation – the matrix business will never really surface. ■



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