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ANSWERING TO MULTIPLE BOSSES

How to Make the Matrix Work

By NICK SHREIBER and MIKE ROSENBERG

Consider this scenario: John works for the multinational conglomerate, Acme Corporation, as the country managing director for the United Kingdom. In this role, he reports to the head of the Europe, Middle East and Africa (EMEA) region. However, because Acme U.K. deploys a number of different product lines, John also has to report to the heads of the various product divisions located at the international headquarters in Chicago. All these managers have a strong say and influence over John's activities and responsibilities, as well as his priorities and performance.

For someone in John's situation, the old adage that "no one can serve two masters" would seem to apply. Yet a matrix organizational structure like John's need not result in dysfunction, provided that managers understand the strengths and weaknesses of this complex way of working, which for multinational conglomerates is increasingly the norm.

Based on our experiences of matrix organizations, we identify five keys to successful matrix management: a strong and positive corporate culture; the right people in the right places; clear roles and responsibilities in decision processes; shared performance measures and rewards; and extraordinary communications. In this article, we analyze each of these

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keys, stressing how all five must work in concert if they are to enable the smooth functioning of a matrix organization.

The Problem That Never Went Away

During the 1980s, as multinational conglomerates found themselves having to balance multiple product lines and geographies, matrix management became popular. Unfortunately, their attempts at matrix management failed as managers discovered that operating a matrix organization was far more complex and required more finesse than the hierarchical forms they were used to. Many reverted to the old forms they knew best – but the need for a matrix did not go away.

During the 1990s, there was a general refocusing of product portfolios and a greater concentration on core competencies. Yet even after streamlining their portfolios, these international companies remained fairly complex beasts that did not respond easily to hierarchical, top-down management styles. They continued to be, in one form or another, matrices.

Happily, the years of trial and error with matrix organizations did yield some positive results. A number of international companies got the hang of how to operate in other than a hierarchical manner. Processes were developed and refined. Books were written. Above all, executives at all levels began to get comfortable with the idea of having several reporting lines.

Those good experiences notwithstanding, too many companies continue to operate a matrix organization by the seat of their pants, without carrying out the deep work needed to make it function correctly. Frequently, top leaders don't even acknowledge that they operate within a matrix, sticking their heads in the sand, which only makes matters worse.

As the globalization of markets continues apace, and as M&A activity drives ever greater complexity, the problems for multinational companies will be compounded unless they learn to do something about the matrix.

Matrix Organizations Are Here to Stay

Because the term "matrix organization" can be construed in a variety of ways, for the purposes of this article we describe a matrix as a form of organization in which different members of the senior management team have overlapping responsibilities. Executives may have a remit for a certain region like North America or Asia-Pacific; others for a specific business group or product family, with global responsibilities. In either case, these executives will have overlapping functional responsibilities for finance, HR or quality management. Additional dimensions may be global customer accountability or areas of practice. See **Exhibit 1** for an illustration using the case of John and Acme.

From the point of view of middle management and employees, certain field operatives will have at least two bosses. Since it is difficult for people to deal with the ambiguity of having multiple reporting lines, it is also customary to think of some of these lines as being primary and others secondary.

Think of the organizational chart as having solid and dotted lines. A solid-line relationship would be to the primary supervisor, and a dotted-line relationship to one or more different bosses. In the example of John, he might report through a solid line to his EMEA boss and have dotted-line relationships to the bosses of various product groups located at headquarters.

The important thing is to realize and accept that John does not only have responsibilities toward his solid-line boss. He also has important responsibilities, sometimes even more important than the geographical reporting line, to the respective heads of product groups.

The normally accepted differentiation between solid-line and dotted-line relationships is that the solid-line boss is the person who

EXECUTIVE SUMMARY

Managing a multibusiness enterprise on a global scale brings a level of complexity that is virtually impossible to handle with a simple straight-line, top-down hierarchy. A matrix offers a solution – yet it is tricky to manage. In a matrix organization, senior managers have overlapping responsibilities, frequently answering to two bosses: one with a remit for a certain region, another for a business group or product family, with solid-line and dotted-line reporting relationships to each.

Based on the authors' experiences of matrix organizations, they identify five keys to successful matrix management: a strong and positive corporate culture; the right people in the right places; clear roles and responsibilities in decision processes; shared performance measures and rewards; and extraordinary communications.

This article analyzes each of these keys, stressing how all five must work in concert if they are to enable the smooth functioning of a matrix organization. As the globalization of markets continues apace, the need for matrix management will only intensify, demanding that leaders adopt the right mind-set and commit the time and effort required to make the matrix work.

makes the final determination of the managing director's remuneration. As we will see, however, the opinion of the dotted-line boss(es) can, and should, carry a great deal of weight.

We believe that three related phenomena will ensure that matrix organizations, and the need for excellence in matrix management, are here to stay.

THE CONTINUING GLOBALIZATION OF MARKETS. The trend that precipitated the need for matrix management in the first place will only intensify as companies pursue scale and growth: scale, to achieve economies in areas such as purchasing, manufacturing, administration and R&D; growth, as an overall catalyst for productivity, profitability and motivation. Corporations relentlessly pursue expansion in world markets – be it North America, Europe, Japan or the emerging economies of Eastern Europe, South America and Asia – simply to stay in the game.

GLOBAL LEVERAGE AS A SOURCE OF COMPETITIVE ADVANTAGE. The second driver is the recognition that heads of global business units increasingly need to satisfy global customers, and they must lead organizations that have the size and complexity of stand-alone multibillion-dollar companies. If managed well, a matrix organization can deploy the expertise of these global product groups where needed and transfer best practices from one location to another in a highly effective manner. This can become a vital competitive advantage.

CENTRALIZATION. The third driver is the potential for centralized corporate functions, as well as the more recent phenomenon of shared services, to generate enormous efficiency gains. Largely confined to the finance function during the '80s, most corporate functions – from supply chains to HR to quality management – are candidates for centralization. Because these functions must be implemented by field operatives, the result will be a matrix organization.

While many organizations might not use the M-word due to some negative connotations from the past, we argue that any organization that has geographic unit heads, global managers of different businesses and functional managers with global responsibilities is, in fact, a matrix.

Potential Problems

The issue, as mentioned before, is that many matrix organizations simply do not work very well, for the following reasons:

EXPENSIVE. A full matrix can be an expensive proposition unless the cost of duplicated positions (corporate vs. field) is offset by the ruthless pursuit of productivity enhancements that can be obtained from centralized functions.

UNWIELDY & SLOW. Furthermore, in the absence of proper processes to coordinate various viewpoints and clear guidelines to make decisions, matrix organizations can become unwieldy and slow, requiring mind-numbing meetings and conversations to take into account competing agendas, different cultures and various locations. This sluggishness can be devastating: lethargic decision-making, unhurried responses to rapidly changing market conditions and demotivation, among other consequences.

IGNORED IN EXTREMIS. Finally, in many instances, even when the matrix is used properly, it is adhered to during good times, such as during economic expansions, or in periods of stability

ABOUT THE AUTHORS

Nick Shreiber is a seasoned international executive with over 30 years of senior leadership experience in both line management and management consulting. He is former CEO of The Tetra Pak Group, a $13 billion global leader in packaging and processing solutions for food, and currently serves on the boards of several international corporations and not-for-profit organizations. Shreiber is passionate about developing future generations of leaders. In association with Merryck & Company, he brings a practitioner's perspective to executive development by mentoring high-potential senior executives. Additionally, he funds Shreiber Scholarships in the United States and Argentina, and is an international speaker on numerous leadership topics.

Mike Rosenberg is an assistant professor of Strategic Management at IESE, where he teaches strategy, globalization and sustainability. His research is concerned with how long-term technological and socioeconomic trends affect the business climate, and he has a particular interest in the potential of alternative energy sources to change the competitive dynamics of a number of industries, including the automotive sector. Prior to IESE, he was the Automotive Practice Leader of Heidrick & Struggles, and before that spent 15 years as a management consultant in Europe, North America and Asia for A.T. Kearney and Arthur D. Little, primarily in the automotive sector. He publishes a blog "Doing Business on the Earth" at blog.iese.edu/doing-business/