rhr

EXECUTIVE INSIGHT

Leading a Matrixed Organization to Success

How to Develop a Well-Thought-Out Framework

As markets become more global and businesses become multifaceted, CEOs are increasingly opting for a matrix organizational structure.

While the matrix structure offers unique advantages, it also necessitates careful management of its risks.

A matrix is not an end unto itself. Unfortunately, too many organizations implement restructuring initiatives with the best of intentions only to find disappointing results with significant business consequences. Its benefits come as a result of a built-in horizontal-vertical tension that allows for flexibility, innovation, and dynamic utilization of resources. However, it is not enough to restructure to a matrix with inspirational messaging and time-bound training. If the matrix is not actively managed, the organization compensates by adding bureaucracy and cost to cover for a rapidly deteriorating and ineffective culture. The following provides an actionable framework that CEOs can customize and use to successfully lead and manage a matrixed organization.

What Are the Benefits and Inherent Risks of a Matrix Structure?

At its best, the matrix structure offers advantages that can drive increased business success at scale within an overall healthier culture.
The key advantages are:

- Leverages functional economies of scale

- Allows focus on multiple business imperatives

- Deepens company-wide business and functional acumen

- Allows for a tighter-knit and collaborative company culture

However, restructuring from a traditional hierarchical structure to a matrix structure adds significant complexity and ambiguity to the organization. This is often incompatible with existing leadership models and disruptive to the well-established operating rhythms and norms of the organization.

The key risks are:

- Competing objectives that are not aligned with enterprise strategy

- Lack of clarity about how to prioritize or execute effectively

- Ambiguous reporting relationships and performance metrics

- Overly political culture with an overlay of cost to compensate for the lack of trust between horizontals and verticals

- Increased conflict and frustration at all levels

What Does this Mean for Me as the CEO ?

In order to leverage the benefits of a matrix while minimizing the costs and managing the risks, a CEO must be the coach, not the quarterback. Leverage the business-function tension in a matrix. Teach senior leaders to think like you. Inspire the organization during this time of change.

The CEO must focus on teaching senior leaders how to think like him/ her, rather than prescribing their strategy and goals.

WHY? In a traditional hierarchical structure, leaders own their decisions and cascade strategic direction and objectives down their organization. In a matrix, decisions are owned collectively, and leaders need to negotiate with others to decide the path forward. A functional leader and a business leader often have divergent and conflicting views about how the enterprise strategy should be played out in their parts of the business. This can result in unhealthy conflict, poor decision making, and added cost. Therefore, it is not enough for the CEO to communicate the strategy and explain its rationale. He/

she needs to coach senior leaders to think like the CEO and adopt the CEO's mental models. This allows for faster decisions with closer alignment to the enterprise strategy.

The CEO must provide tiebreaking decision rules for senior decision makers to follow. Link the enterprise strategy to business unit and functional strategies. Decide and communicate an emphasis for a given issue on either business or function.
WHY? In a traditional structure, business unit strategies are cascaded from the enterprise strategy, and business units own their own functions. A matrix structure allows the CEO to lean more toward the business or the functional side, depending on what is needed by the market at any given time. In order to fully leverage this benefit of a matrix, the CEO must work with senior leaders to balance the business unit and functional strategies to allow for maximum strategic flexibility. Furthermore, the CEO must establish decision rules that specify which side, business, or function will win when there are unresolvable stalemates.

The CEO must reinspire the organization during a time of increased ambiguity and organization-wide unrest.
WHY? Restructuring to a matrix meaningfully disrupts the day-to-day experience of every employee. Employees who had built long-standing relationships with their bosses and took pride in completing their objectives on time now have multiple bosses, often with conflicting agendas. They now have to negotiate between two masters for their goals. This creates organization-wide stress and skepticism about the new structure.

Therefore, the CEO needs to be present and visible, acknowledge the added organizational stress as well as the benefits, and reengage the workforce as they adjust to the new structure.

Transform leaders from hierarchical to matrix-effective. Define new management practices and organizational norms, and put in place cascading mechanisms.

The CEO must create a new leadership model for success in the matrix structure and put in place leadership development experiences for senior leaders—and hold them accountable against the new leadership model.
WHY? Leaders in a hierarchical structure are accustomed to reaching success as sole decision makers with power over most of the levers that drive strategic objectives. However, this style of leadership is destructive in a matrix structure and has significant ripple effects on the business and the company's culture. The CEO must provide developmental experiences so that leaders can authentically transform their leadership models and can also be held accountable for a matrix-effective model of leadership.(The requisite leadership behaviors required in a matrix structure are outlined in the box on the following page.)

The CEO must define a code of conduct that encourages people to challenge each other to reach the best decision, to be flexible and open-minded,

and above all, to learn how to be successful through influencing others.
WHY? In a traditional hierarchical organization, being successful in one's role requires ample domain knowledge and skillset, and being a team player. In a matrixed organization, domain knowledge and skills still are important, but one cannot be successful without the ability to challenge, influence, and partner with others. Furthermore, the complexity and ambiguity in a matrix structure increases conflict, and people can easily begin to find unhealthy ways to respond to such conflict.

As senior leaders learn to transform their leadership styles to matrix-effective, they often forget that managers and employees below them will need to change their own operating styles in similar ways. Senior leaders and managers will need to build flexibility into their operating models to allow for sharing of resources and shared decision making. If senior leaders do not keep these needs top-of-mind, performance and execution will suffer.

Modify talent strategy and performance metrics.
WHY? In following with the old adage "what gets measured, gets done," it is critical to align talent strategy and performance metrics to behaviors and outcomes necessitated by the enterprise strategy. If an authoritarian leader is brought into a matrix, the ripple effects of this mismatch can have magnified business consequences. Similarly, performance metrics that reward leaders only for business outcomes fail to reinforce authentic behavioral change that is critical to leading successfully in a matrix.

Create ongoing feedback loops to keep a pulse on the organization and its culture, so he/she can respond as needed.

WHY? Organizational restructuring is more disruptive to the organization than CEOs generally realize. Senior decision makers tend to see the positive side of restructuring, whereas employees at lower levels tend to see it as negative and inefficient.

It is important for senior leaders, including the CEO, to put in place mechanisms by which they can understand and respond to the needs of the workforce as it goes through tremendous change.

What Does this Mean for the Senior Leadership of the Organization ?

Senior leaders play a crucial role in the success or failure of a matrix structure. In addition to transforming their own leadership models and personal definitions of success, they are responsible for leading complex organizational change, modeling new operating rhythms to the organization, and achieving outcomes. Along with the guidance and support of the CEO, senior leaders will need to understand and adopt the key elements of a successful leader in a matrix organization.

Questions to Ask Yourself as the CEO

- Am I clear about what my organization needs from me to be successful in a matrix?

KEY CHARACTERISTICS OF A SUCCESSFUL MATRIX LEADER

Collaborative Decision Maker

- Puts in place processes that allow for decisions to be made at the right level
- Drives toward decisions that are aligned to the enterprise strategy and vision, while gaining buy-in from partners along the way
- Influences others through business and strategic rationales, rather than through authority or power
- Shares power and decision rights collectively; discourages silo-driven attitudes

Relationship-Focused Business Partner

- Cultivates positive working relationships with key internal and external stakeholders
- Willing to challenge and be challenged to work toward the best decision
- Superior conflict-resolution skills
- Takes initiative to discuss mutually beneficial opportunities with peers for the overall benefit of the enterprise
- Models relationship-focused, collaborative partnership style to inspire others

Execution Driver

- Provides clarity around short- and long-term strategy, with specific partnership requirements with matrixed staff
- Proactively engages all necessary parties to gain alignment, discuss needs, and address potential issues
- Builds in flexibility around resource sharing while preplanning for resources necessary for goal accomplishment

Matrix Change Leader

- Carefully calibrates the pace of change with the organization's appetite for change
- Serves as an ambassador for the senior leadership team in educating the organization of the benefits of the new structure and helping to make the matrix successful
- Genuinely welcomes and addresses change-related concerns and inquiries from across the enterprise in an open, transparent, and timely manner
- Models how to manage by influence rather than authority

- How is the matrix structure impacting business results, execution, and the company culture?
- Are we still leveraging the strengths of the organization and enabling key talent?
- Am I adequately equipping senior leaders to lead effectively in a matrix?

- How will I keep a pulse on the organization and know when and where the matrix might be breaking down?
- What do I do proactively and what do I do reactively to support the organization in the new structure while also allowing them to find their own way?