

## For those too busy:

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## The seven secrets of successful matrix organisations

### **Making matrix designs work – a challenge receiving lots of attention from leaders, and little from experts**

Matrix organisations are ubiquitous, problematic and, usually, the source of leadership tension and debate. Periods of economic restraint are often opportunities for CEOs to improve and adjust their organizations - to simplify and slim down. We searched through the most recent research and publications for new insights and thinking on how to make matrix designs work - and found it a subject receiving little attention. Among the more useful insights we identified found seven themes:

- 1. Nowadays virtually all organisations with over about 100 people are matrix organisations.** The only alternative is to work in silos with no common benefits.
- 2. Most matrix organisations do not work as effectively as they could.** Although some work very well, many are very inefficient. When matrix organisations go bad it is usually because too much time is spent negotiating to get things done, or because ambiguity about accountability leads to poor performance.
- 3. An effective matrix organisation depends on everyone being clear about the dominant dimension.** There are only really four broad dimensions of organisation structure: a) geography, b) product/service, c) function/process and d) market/customer. Matrix designs usually combine two.
- 4. The choice of primary dimension should be driven by strategy - in particular sources of growth.** For example, if your growth strategy is geography driven (eg we use the mature markets as cash cows, we rapidly exploit emerging markets), then make geography the primary driver.
- 5. The most significant single success factor for effective matrix organisations is clarity of accountability and decision rights.** These must be clearly articulated, commonly understood and fully owned by the leadership team. Who is responsible for P&L? Who has the last call on pricing? On hiring and firing? All dimensions will have a role but the governance must be unambiguous. The most common problem is blurred lines of responsibility between the axes of the matrix.
- 6. This must be backed, consistently, by leadership.** The best approach is regular explicit conversations at the leadership team meetings about how well it is working - and take action to fix problems.
- 7. And with a consistent reward system.** For example, if country leaders have P&L accountability then they should mainly be rewarded for that. But they should also be rewarded for bringing new services to their country's customers, and for expanding a global customer relationship into their country, in other words, to support the other dimension of the matrix.

An alternative to help a matrix is to use informal networks that cross silos and improve collaboration. They can work better and faster than traditional structures, and be built just as deliberately.

### **There is no 'best' structure – only one that is right for your strategy, business model and brand**

Analysis of high performing companies shows there is no 'best' structure. For every high performing company with a centralised structure, another is highly decentralised, even within the same industry. As long as the structure is aligned with the business model and how the company can win in the market, it can work. Overall, as with most things in organisational life, the simpler and more precise the matrix concept, and the more consistently it is explained, the more likely it is to succeed.