

Building a Vocabulary of Change

Matrix structure

a formal design choice that groups people by both function and product or product and geographical region.

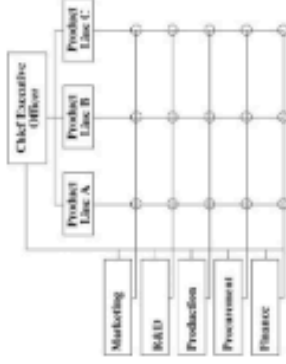


Exhibit 6-3 Matrix Organizational Chart.

The requirement for dual focus might also arise from geographic demands. ABB built a geographic matrix through three regional groupings—Europe/Middle East/Africa, the Americas, and Asia—while simultaneously seeking segment focus through power, transmission and distribution, and industry and building systems divisions. Strategic focus again lies at the heart of the organization's challenge. While functional and product divisions prioritize their focus, matrix structures seek dual focus, attempting to move both quickly and efficiently.

Theory into Practice

Organizations can move to a matrix structure to help support dual focus—on technical expertise and marketplace responsiveness.

The most striking—and for many people the most troubling—feature of the matrix is the lack of a single reporting relationship. Consider the matrix structure depicted in Exhibit 6-3. Assume you are a market analyst housed in product line C. Who is your boss: the manager of product line C or the head of marketing? The answer, of course, is: both. In order to achieve the desired complexity of focus, you will be reporting to and expected to be responsive to both simultaneously.

The notion of dual reporting relationships violates one of people's most deeply held assumptions about the desirability of a clear and unified chain of command in organizations. By breaking that clear chain of command, matrix structures require employees to deal with competing, even conflicting directions from multiple bosses. Ambiguity, tension, even conflict—these are all likely outcomes of a matrix. That likelihood undoubtedly accounts for the high failure rate—perhaps as high as 70 percent—reported by organizations who have attempted to implement a matrix.⁵

Despite their obvious complexities and ambiguities, when matrix organizations reflect the complexities and ambiguities in their external environment, they can enable greater responsiveness. Because most organizations "have to do business with multiple customers, multiple partners, multiple suppliers, and compete against multiple rivals can multiple areas of the world," writes Jay Galbraith, they will need a structure that allows them to deal with multiple constituencies.⁶ In order to respond to multiple constituencies, IBM currently maintains not two but three overlapping structures: products (hardware, software, and business solutions), customer groups (large corporations, governments, health care facilities, etc.), and geographic regions.

Theory into Practice

Matrix structures will be most effective in organizations that can manage ambiguity, tension, and conflict well.

Despite the difficulties inherent in managing a matrix, it is often necessary in order to compete effectively in today's highly fragmented competitive environment. Organizations that are able to make a matrix function effectively will enjoy a great competitive advantage.

Focus on the Supply Chain

The advent of sophisticated information technology and the geographic dispersion of technological excellence and knowledge have encouraged organizations to focus on their supply chain. Organizations develop competitive advantage and create shareholder wealth through an interdependent sequence of activities known as the supply chain.⁷

Building a Vocabulary of Change

Supply Chain

activities called upon by the organization to produce and delivery products and services to the customer.

The supply chain can be defined as "the separate activities, functions, and business processes that are performed in designing, producing, marketing, delivering, and supporting a product or service."⁷ Horizontally linked structures (D) focus employees on the interrelated activities of the supply chain.