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Revisiting the matrix organization

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Matrices are often necessary, but they may create uncomfortable ambiguity for employees. Clarifying roles can boost both the engagement of the workforce and a company's organizational health.

Matrix organizations have been around for decades, stimulating vigorous debate between supporters and detractors for nearly as long.[1] They remain prevalent at the large number of companies that need to bring functional centers of excellence together with business-specific people and processes. Eighty-four percent of respondents to a recent Gallup survey, for example, were at least slightly matrixed.

That survey, covering nearly 4,000 workers in the United States, highlights some benefits for employees in matrices, particularly in areas related to collaboration. At the same time, the survey suggests that these employees feel less clear about what's expected of them than their nonmatrixed counterparts do. This problem has consequences: Gallup research indicates that clarity of expectations is a foundation for building an engaged workplace that performs at high levels. Furthermore, according to McKinsey's Organizational Health Index (OHI), clear and accountable roles are among the most important drivers of organizational health. Taken together, the Gallup and McKinsey findings underscore how important it is for executives and line managers to address the role ambiguity that's all too common in matrix organizations. (For more on the research behind these two studies, see sidebar, "About the research," on page 4.)

Ubiquitous and unexceptional

Eighty-four percent of the US employees Gallup surveyed were matrixed to some extent. Forty-nine percent served on multiple teams some days (we categorized them as slightly matrixed), and 18 percent served on multiple teams every workday but with different people, though mostly reporting to the same manager (matrixed). The remaining 17 percent reported to different managers in their work with different teams (supermatrixed).

Most employees in matrixed organizations, according to the survey, aren't terribly engaged with their jobs. (Gallup defines employee engagement as involvement in and enthusiasm for work.) These figures are consistent with what Gallup has found in the workplace at large over a decade of study. They are alarming, given the relationship between worker engagement and vital business outcomes, such as productivity, profitability, and customer perceptions of service quality.[2] The survey does suggest a modestly positive relationship between the four categories of organization and employee engagement, which rises slightly across them (exhibit).

Collaboration and clarity

Beneath the surface, we found some areas (particularly collaboration) where matrixed organizations performed better than less matrixed ones and others (related to role clarity) where they did worse. The differences in engagement at more and less matrixed organizations suggest advantages and disadvantages that may cancel one another out.

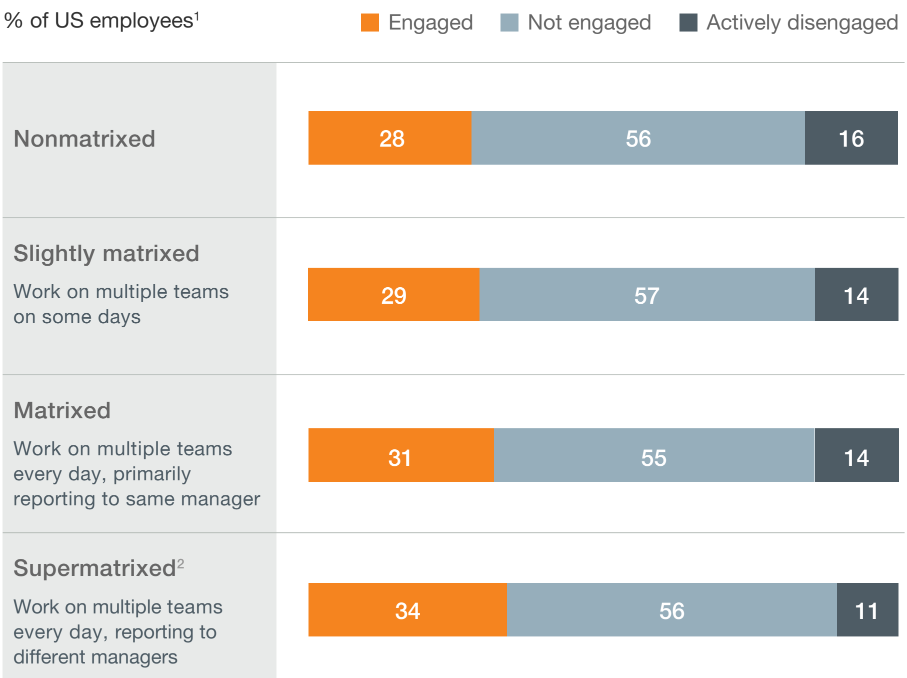
A key area of strength for matrixed organizations lies in collaboration—a heartening discovery, since cross-company teamwork is one of the chief aims of many matrices. We asked employees of slightly matrixed, matrixed, and supermatrixed organizations about the benefits of being on different teams. Supermatrixed employees were generally about twice as likely as slightly matrixed ones to say that their organizations not only helped them collaborate more effectively with coworkers, do their best work, and serve customers well but also stimulated bottom-up innovation. Supermatrixed employees were also somewhat more likely than those in the other categories to say they had received recognition or praise during the past seven days, that their opinions counted, and that their fellow employees were committed to doing quality work. These are key elements in the overall engagement of employees and suggest that relationships and collaboration among employees in matrixed organizations and their peers and superiors really are better.

On the other hand, only a minority of the supermatrixed employees strongly agreed with the statement, "I know what is expected of me at work," compared with 60 percent of the nonmatrixed. This reflects a common complaint about matrixed organizations—that the structure gives rise to a lack of clarity about responsibilities, expectations, and who reports to whom. Workers in the three matrixed groups were more likely than nonmatrixed ones to say that they need clear direction from project leaders and communication between their managers and project leaders to prioritize their work most effectively.

Also, employees in the matrixed categories were more likely than their nonmatrixed counterparts to say they

Exhibit

Matrixed employees are slightly more engaged.



[1]Controlled for employment level. Data reflect merged responses from 2 surveys and are not weighted.
[2]Figures do not sum to 100%, because of rounding.

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spent their days responding to coworkers' requests and attending internal meetings. Such responses are not surprising in an environment where employees receive instructions and feedback from multiple managers and work with a range of people to complete projects. These are also probably factors in the critics' assertions that the matrix structure can slow decision making, blur lines of communication, stifle productivity, and hinder organizational responsiveness and agility.[3]

The link to organizational health

Interestingly, role clarity and related accountability practices emerge as among the most important drivers of organizational health, and ultimately performance, in McKinsey research based on the Organizational Health Index (OHI). McKinsey has consistently found that improving role clarity improves accountability, an outcome that is a critical component of the overall health-index score. In fact, organizations with

About the research

The findings of the study on matrixed employees are based on a Gallup panel web survey, completed by 3,956 full-time employees aged 18 and older, that was administered between April 8 and April 27, 2015. The Gallup panel is a probability-based longitudinal group of US adults selected through random-digit-dial (RDD) phone interviews over landlines and cell phones. Address-based sampling methods are also used to recruit panel members. The Gallup panel is not an opt-in panel, and members are not given incentives for participating.

Our sample for this study, which used Current Population Survey figures, was weighted to be demographically representative of the US adult population. For results based on this sample, the maximum margin of sampling error is plus or minus two percentage points at the 95 percent confidence level. Margins of error are higher for subsamples. In addition to sampling error, the wording of questions and practical difficulties in conducting surveys can introduce error and bias into the findings of public-opinion polls. The survey responses were matched with those of a US workforce panel survey administered in November 2014 to study the engagement and other work-related factors of matrixed employees. Separately, Gallup's meta-analysis of the relationship between employee engagement and business outcomes included more than 49,000 business units across 49 industries.

The results of the organizational studies are based on subsets of McKinsey's global database for the Organizational Health Index (OHI). This index is a survey-based assessment of organizational health, defined as the ability to perform over the long term. That kind of performance is based on three capabilities: aligning around strategies, executing them, and adapting when necessary.[1] The index includes data from more than two million respondents and over 2,000 unique surveys. Organizations in the top quartile for health collectively outpace organizations in the bottom quartile in total returns to shareholders (TRS): they earned three times the annual TRS of bottom-quartile organizations over the nine-year period of the study.[2]

The study focusing on the accountability practices of organizations was conducted using data from 254 unique companies and 781,224 respondents, collected in 2014 and 2015. This study determined the rank order of practices structurally related to organizational-health outcomes. The order of the practices was based on the magnitude and significance of the standardized betas produced by regressing the outcome on the direct practices. To determine the rank order of the related practices, we first regressed the outcome on the direct practices and then (using a stepwise regression) entered the remaining practices. Practices that explained a minimum incremental 1 percent of the variance were labeled related practices. Their rank order (like our treatment of direct practices) was based on the incremental amount of variance explained.

[1] Organizational health is operationally defined by scores on nine organizational outcomes: direction, leadership, culture and climate, accountability, capabilities, coordination and control, innovation and learning, motivation, and external orientation. Unlike employee engagement, they are assessed by survey questions about the organization's effectiveness in these areas rather than their impact on employees.

[2] See Aaron De Smet, Bill Schaninger, and Matthew Smith, "The hidden value of organizational health—and how to capture it," *McKinsey Quarterly*, April 2014, on mckinsey.com.

high accountability scores have a 76 percent probability of achieving top-quartile organizational health—more than triple the expected rate. What's more, the independent effects of role clarity are so powerful that they affect OHI scores directly, one of only four management practices (among 37) that do.[4]

These findings are consistent with work by McKinsey's Suzanne Heywood and others showing that organizations can mitigate the complexity associated with matrices through clear accountability and targets for individuals.[5] Further reinforcing these findings is the academic literature suggesting that higher levels of the ownership mentality predict higher levels of collaboration, organizational commitment, and corporate citizenship, as well as reduced levels of behavior that deviate from workplace norms.[6]

The Gallup survey does suggest that role clarity takes a hit in matrixed organizations. Yet it also indicates that super-matrixed employees were more likely to have received recognition or praise in the previous seven days and to believe that their opinions counted. McKinsey research suggests that these features of the employee experience in matrixed companies have a positive impact on organizational health: two management practices—recognition and employee involvement in direction setting—are important drivers of two of the OHI's outcomes—motivation and direction—which, along with accountability, are meaningful components of the overall OHI score.

Priorities for matrixed managers

Given the importance of role clarity and accountability to organizational health and, ultimately, performance, addressing the role ambiguity that pervades matrixed companies is a critical priority for their leaders, who should help employees by continually setting clear expectations aligned with the direction of the business. This clarity should cascade into frequent conversations between managers and their direct reports about the specific role each person plays in advancing the company's objectives. Consultative (as opposed to authoritarian) leadership practices can contribute meaningfully to accountability, according to McKinsey's OHI research.

It is also imperative to maintain day-to-day lines of communication to root out and dispel ambiguity and ensure that everyone is consistently on the same page. This is true at the organizational as well as the team level: Gallup research shows that managers should not save critical conversations for once-a-year performance reviews—engagement flourishes when employees receive regular, actionable feedback on their progress.

Last, the matrix structure is notorious for frequently obscuring lines of accountability, so leaders and managers should ensure that all employees understand whom they answer to and the duties for which they are responsible. The importance of regular discussions to reclarify expectations as work demands change is compounded in matrix organizations. And highly engaged employees thrive in a system where everyone is accountable for his or her work.

[1] For a classic critique, see Tom Peters, "Beyond the matrix organization," *McKinsey Quarterly*, September 1979, on mckinsey.com.

[2] James K. Harter et al., *The relationship between engagement at work and organizational outcomes*, Gallup, February 2013, gallup.com.

[3] For more, see Billie Nordmeyer, "Disadvantages of organizations with the matrix approach," *Houston Chronicle*, chron.com; and Eric Krell, "Managing the matrix," *HR Magazine*, Society for Human Resource Management, April 1, 2011, shrm.org.

[4] Since the impact of these practices transcends geography, industry sector, and company size, we call them power practices. Besides role clarity, personal ownership (another accountability practice), strategic clarity, and competitive insights are also in this select group. Overall, we assessed the 37 management practices through empirically derived survey items that were independent of the outcomes they predicted. We assessed the independent effect of role clarity after statistically controlling for shared or overlapping effects among the 37 practices.

[5] See Suzanne Heywood, Jessica Spungin, and David Turnbull, "Cracking the complexity code," *McKinsey Quarterly*, 2007 Number 2; and Suzanne Heywood and Julian Birkinshaw, "Putting organizational complexity in its place," *McKinsey Quarterly*, May 2010, on mckinsey.com.

[6] James B. Avey, Bruce J. Avolio, Craig D. Crossley, and Fred Luthans, "Psychological ownership: Theoretical extensions, measurement, and relation to work outcomes," *Journal of Organizational Behavior*, 2009, Volume 30, Number 2, pp. 173–91; doi 10.1002/job.583.

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