Making the Matrix Work

Over the last year we've been doing a lot of research on organizational design. Our newest research shows that 92% of companies are trying to redesign their teams to increase speed and agility, but only 14% seem to know how. Our conclusion, after many months of work, is that companies have to move away from hierarchical structures toward more a more agile model: a network of teams.

But how do you make this work? Since early this year I've talked with dozens of companies about this issue and I've come up with three simple rules that help "make the matrix work."

1. **Organize people into teams.** Reduce the number of functional organizations you have and let people form small teams around projects, products, customers, or processes. (People may still "report" into functional areas, but they work in project teams.) The teams should be small (12 people or less), and people on each team should get to know each other, meet regularly, and build a common bond. The team needs a team leader (who is not necessarily a manager), and individuals in the team need a "sponsor" or "mentor" to help them manage their career. The "sponsor" serves as a coach or manager, the team leader manages the work getting done.

2. **Clarify decision making**. Don't let people join too many teams, and make sure it's very clear which team owns what. Teams will obviously work with each other, communicate, and share information – but don't let teams become confused about who owns what project or product or program. One company I talked with has what they call "growth teams" made up of the VPs (VP of sales, marketing, product). This team does not lead the other teams, but it does make sure the other teams can work productively.

3. **Reduce cognitive overload.** Don't let teams communicate externally too much, don't overload people with information. Build training and onboarding programs to help people become productive easily. Focus your HR investments on things that make teams productive, aligned, and clear.

Now you probably ask: what about goals, reward systems, and the role of executives? Well all these things are important too.

- **You need a fair and transparent system for goals and rewards**. This does not mean rewarding people with fancy titles or lots of promotions, but making team goals clear and transparent. If you make this open and transparent, it will be clear which teams are outperforming. New performance management tools are beginning to make this easy.
- **Executives must honor and sponsor teams.** Be careful that leaders don't micro-manage teams, but rather focus on making sure the right people are on the right teams and that teams are aligned. Innovation and agility comes from people who feel empowered – in this model leaders are coaches and strategists and connectors, not "bosses." And we have to let people move between teams – quite frequently the team discovers that some teammates don't fit.
- **We have to reward teams who succeed, and not punish people when a team fails.** Sometimes a team will find itself dysfunctional, their leader is misaligned, or perhaps the team is working on the wrong things. Your focus here should be on improving the performance of the team, moving people around, or coaching individuals – not punishment. Punishment will work against your culture, slow things down, and stop innovation.

I'll be writing much more on this topic over the next few months, including a discussion of a maturity model for the "network of teams." I want to thank the dozens of companies I've been talking with over the last five months on this topic. Please stay tuned for more to come.