

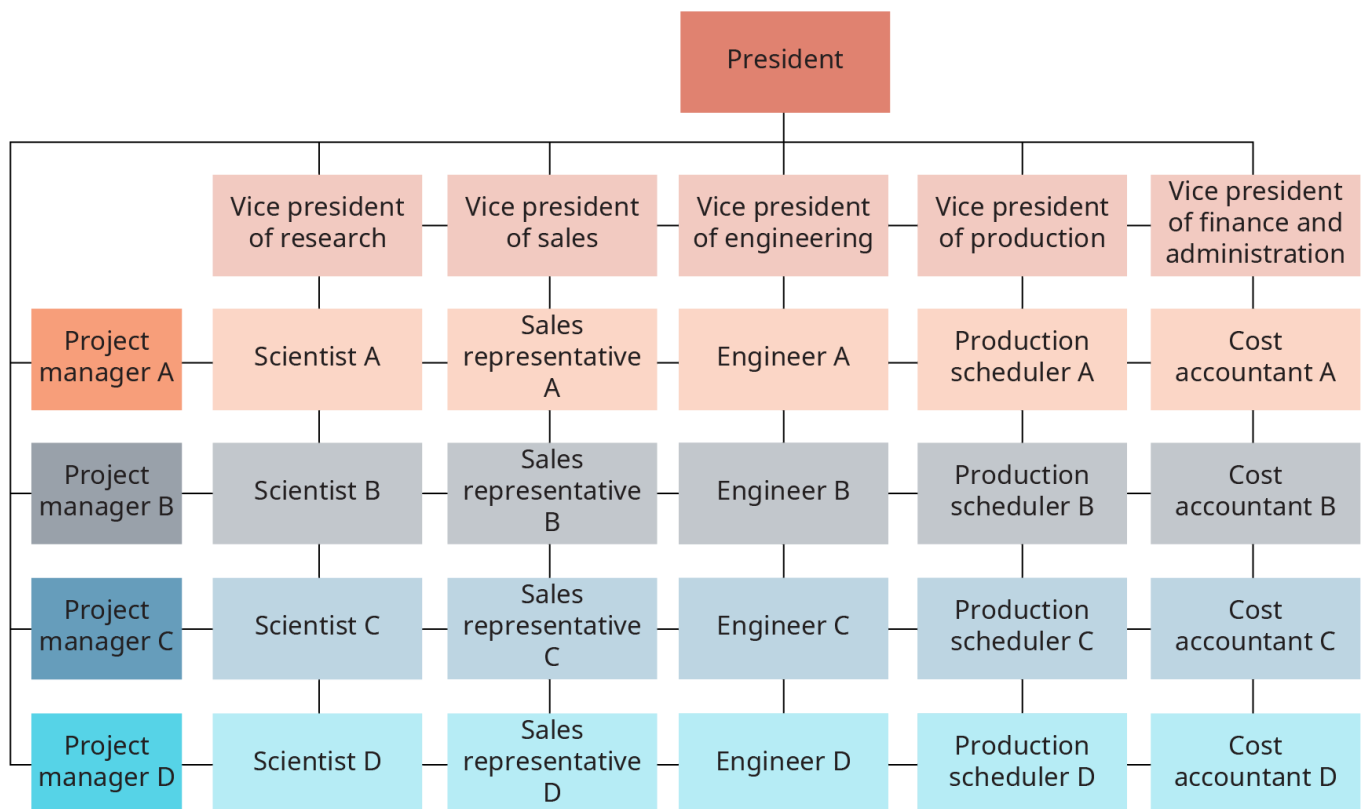
## 7.3: Contemporary Structures

### 2. What contemporary organizational structures are companies using?

Although traditional forms of departmentalization still represent how many companies organize their work, newer, more flexible organizational structures are in use at many firms. Let's look at matrix and committee structures and how those two types of organizations are helping companies better leverage the diverse skills of their employees.

#### Matrix Structure

The **matrix structure** (also called the *project management* approach) is sometimes used in conjunction with the traditional line-and-staff structure in an organization. Essentially, this structure combines two different forms of departmentalization, functional and product, that have complementary strengths and weaknesses. The matrix structure brings together people from different functional areas of the organization (such as manufacturing, finance, and marketing) to work on a special project. Each employee has two direct supervisors: the line manager from her or his specific functional area and the project manager. **Exhibit 7.7** shows a matrix organization with four special project groups (A, B, C, D), each with its own project manager. Because of the dual chain of command, the matrix structure presents some unique challenges for both managers and subordinates.



**Exhibit 7.7 Matrix Organization** (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Advantages of the matrix structure include:

- *Teamwork.* By pooling the skills and abilities of various specialists, the company can increase creativity and innovation and tackle more complex tasks.
- *Efficient use of resources.* Project managers use only the specialized staff they need to get the job done, instead of building large groups of underused personnel.
- *Flexibility.* The project structure is flexible and can adapt quickly to changes in the environment; the group can be disbanded quickly when it is no longer needed.
- *Ability to balance conflicting objectives.* The customer wants a quality product and predictable costs. The organization wants high profits and the development of technical capability for the future. These competing goals serve as a focal point for

directing activities and overcoming conflict. The marketing representative can represent the customer, the finance representative can advocate high profits, and the engineers can push for technical capabilities.

- *Higher performance.* Employees working on special project teams may experience increased feelings of ownership, commitment, and motivation.
- *Opportunities for personal and professional development.* The project structure gives individuals the opportunity to develop and strengthen technical and interpersonal skills.

Disadvantages of the matrix structure include:

- *Power struggles.* Functional and product managers may have different goals and management styles.
- *Confusion among team members.* Reporting relationships and job responsibilities may be unclear.
- *Lack of cohesiveness.* Team members from different functional areas may have difficulty communicating effectively and working together as a team.

Although project-based matrix organizations can improve a company's flexibility and teamwork, some companies are trying to unravel complex matrix structures that create limited accountability and complicate day-to-day operations. Some CEOs and other top managers suggest that matrix structures make it easier to blame others when things don't go as planned.<sup>7</sup>

## Committee Structure

In **committee structure**, authority and responsibility are held by a group rather than an individual. Committees are typically part of a larger line-and-staff organization. Often the committee's role is only advisory, but in some situations the committee has the power to make and implement decisions. Committees can make the coordination of tasks in the organization much easier. For example, Novartis, the huge Swiss pharmaceutical company, has a committee structure, which reports to its board of directors. The company's executive committee is responsible for overseeing the business operations of group companies within the global organization and consists of the CEO, CFO, head of HR, general counsel, president of operations, head of biomedical research, global head of drug development, CEOs of the pharmaceutical and oncology units, and CEOs of Sandoz and Alcon, other Novartis companies. Members of the executive committee are selected by the company's board of directors.<sup>8</sup>

Committees bring diverse viewpoints to a problem and expand the range of possible solutions, but there are some drawbacks. Committees can be slow to reach a decision and are sometimes dominated by a single individual. It is also more difficult to hold any one individual accountable for a decision made by a group. Committee meetings can sometimes go on for long periods of time with seemingly little being accomplished.

## CONCEPT CHECK

1. Why does the matrix structure have a dual chain of command?
2. How does a matrix structure increase power struggles or reduce accountability?
3. What are advantages of a committee structure? Disadvantages?

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