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**Motivating Potential of Performance Management Systems in Matrix  
Organizations**

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**Motivating Potential of Performance Management Systems in Matrix  
Organizations**

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**Report**

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## **Abstract**

# **Motivating Potential of Performance Management Systems in Matrix Organizations**

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The main purpose of this report is to identify and describe the type of behaviors that should be promoted in a matrix organization. This report shows how the performance management system is a very important tool in promoting these behaviors. The report starts with an introduction to the relationship between the success of a matrix structure and the appropriate performance management system followed by the definition of important concepts in this topic. Next, the report provides general recommendations to the leaders of matrix organizations with respect their performance management system. Finally, a case study of a company with this type of structure is analyzed.

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## **EXECUTIVE SUMMARY**

The main objective of this study is to identify the type of behaviors needed in employees from matrix organizations in order to reach the organizational goals of the company. Since employees' behaviors are the drivers of performance these behaviors must be evaluated and motivated through the appropriate performance management system. For this reason, this study intends to provide valuable recommendations to matrix organizations and their leaders on how to make the performance management system to promote the right behaviors.

A case analysis of an ink cartridges company X is provided as an example of a matrix organization with the wrong performance management system. It is shown how a wrong performance management system can cause problems within the members of the organization. Among these problems stand out problems of accountability which act as hinders for the goals of the organization. For this reason, one of the major objectives of this study is to provide suggestions to ink cartridges company x with respect its performance management system.

In order to understand how companies can motivate the right behaviors and the role in this of the performance management system various theories of motivation are presented in this study. One of these theories is called a two factor theory by Frederick Herzberg and it identifies two different groups of factors which according to a study conducted recently one of this group is influenced by project managers and the other by functional managers.



Functional managers and project managers play an essential role in the achievement of goals in matrix organizations. For this reason, they both should be involved in the performance management process since this is one of the major tools the organization has to motivate its employees. However, they both are not always part of this process forcing them to collaborate with each other in order to achieve the organizational goals. The key here is that they should not be forced in contrast they should be encouraged to work together promoting collaborative behaviors which are consider essential in matrix organizations not only within the individual contributors but most important within the leaders.

## INTRODUCTION

During the 1960's the government of the United States was the promoter of different key projects in the space, avionic and defense sectors. Among these projects, the projects that stood out were getting the man on the moon, the production of defense equipment for the Vietnam War, and the development of aircraft technology. The major challenges faced by the government and aerospace industry at that time was the completion of all of these projects on schedule without sacrificing the quality of the state of the art technology and to finance all these projects when the resources were limited. These changes in the government strategic goals influenced the aerospace companies' decision, such as Boeing, to adopt the structure of matrix organization in order to address the above constraints. (Galbraith 2008, 7-9).

After observing the successful results from companies such as Boeing, when utilizing the matrix organization structure, many other industries decided to adopt this type of structure in their organizations. However, many of them failed to achieve the same successful results because they did not adopted the structure appropriately. In order to adopt a matrix organization structure successfully, it is essential not only, to reorganize the hierarchy relationships among the authorities but, to redesign all the systems that give support to those authorities and relationships. One of the systems which is considered very important is the performance management system.

However, according to a global research study conducted in recent years by a management consulting firm, 68% out of 750 organizations surveyed around the globe responded that they do not have a performance management system in place that is

consistent with the matrix organization structure (Business Architects). This means that many organizations do not have a performance management system that evaluates the behaviors that must be promoted in a matrix organization. But, what are these behaviors? Is there a performance management system that promotes the right behaviors? These are the questions that this research intends to address. In order to answer these questions, it is first necessary to introduce some concepts related to matrix organization, performance management system and its motivational nature. Next, provide the basis for evaluating the performance management system based on its effectiveness. Then, it is necessary to identify the behaviors important for the matrix structure to work. Subsequently, a case study of an ink cartridges company with matrix organization and issues in the project management arena will be analyzed. Finally, some conclusions and recommendations to the ink cartridges company will be presented.

## **TECHNICAL BACKGROUND/ LITERATURE REVIEW**

After the ineffective implementation of the matrix structure in some organizations around the 1960's and 1970's the concept was abandoned for several years and it retook significance around the 1990's when concepts such as Total Quality Management became popular (Galbraith 2008, 7-9). The matrix structure generates two lines of supervision. One is the functional manager, whose main responsibility is the development and performance of the members of a specific functional unit. The other line of supervision is the project manager, who is responsible for the cross-functional activities that are necessary for the completion of a specific project (Project Management Institute 2004, 28). But both managers share one common responsibility; which is the performance of the people assigned to them in order for the company to succeed. But, how do they manage the performance of these people?

### *The Performance Management and Motivation*

Most companies have in place what it is called a performance management system. A performance management system is “the system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs, and distribute rewards.” (Varma 2008, 15) The main objective of this system of performance management “is to maximize employees’ contributions to the organization” (Varma 2008, 40). This means to change the behaviors of the employees in order to maximize their contribution. But, what drives a change in behavior? The answer is motivation.

Motivation is defined as “the psychological forces that determine the direction of a person’s behavior in an organization, a person’s level of effort, and a person’s level of persistence” (Lewis 2009). Motivation leads to performance; and even though it is not a guarantee of high performance, without motivation the performance will certainly be low. It can be stated that the performance management system is an instrument of motivation. For this reason, it is very important to understand the elements of motivation in order to evaluate the effectiveness of a performance management system.

There are various theories of motivation that try to understand motivation factors. These theories have served as the basis for the tools used in the performance management system. Three of them are briefly described below for the purpose of this study.

- **Goal-Setting Theory.** The idea of this theory is to set specific and difficult goals to the employees since these goals will lead to performance. Furthermore, this theory is supported by the concepts of self-efficacy and self-theory, which makes reference to the fact that people are always on the need to be proud of themselves and that people believe they can do any task very well. (Locke & Latham 1990).
- **Expectancy Theory.** This theory states that people have “a perception about the extent to which effort will result in performance”. The perception employees have about the relation between performance and the final outcome is called instrumentality. The level of “desirability of an outcome” by an employee is

called valence. In order to motivate the employees to perform at high valence levels, instrumentality, and expectancy must be high. The outcome might be either extrinsic (time, promotion, monetary, etc...) or intrinsic (satisfaction). (Vroom 1964).

- **Equity and Justice Theory.** Based on this theory, people tend to compare themselves socially. People seek a sense of balance in those comparisons and if they found a dissonance in those comparisons they modify their motivation accordingly. According to this theory, not only the outcomes are the ones compared for fairness but, also the procedures utilized (performance evaluation system) and the personal treatments (interactions) are compared for fairness. (Adams 1965).

There is another theory related to employee satisfaction created by Frederick Herzberg a U.S. psychologist, which is based on two different groups of factors. The first group is the motivator factors. In this group they are find career advancement, respect, responsibility for an assignment, recognition for achievement, etc.. The other group of factors is the hygiene factors. and in this group they are find the working conditions, salary, interpersonal relations, quality of supervision etc...(Workforce, 2002)

The motivator factors, as stated in this theory, states that this is the one that will cause job satisfaction versus the Hygiene Factors. Hygiene factors will not have a positive effect on job satisfaction; they will only have a negative effect when they are not fulfilled.

It can be observed that the majority of the attributes in the motivator factors are driven by a performance management system such as career advancement and recognition for achievement. In the hygiene factor section the only attribute is only compensation as it appears.

There was a study conducted to 220 employees from 18 matrix organizations which tried to identify what factors from the Herzberg theory are controlled by project managers and functional managers. This study involved the evaluation of two different hypotheses. The first theory was that there is a tendency or pattern exhibited “in the managerial control or influence on project team members in a matrix organization of factors that cause job satisfaction or job dissatisfaction”. The second hypothesis states that functional managers have control over the hygiene factors while the project managers have little control over these factors but, a big control over the motivator factors. (Dunn 2001, 3-9).

The methodology used during this study included the development of a survey that basically showed the hygiene and motivator factors asking the respondents to identify which factors they perceived to be fulfilled by their project managers or functional managers. The results showed that hygiene factors are highly influenced by functional managers in comparison to the influence of project managers. With respect to motivator factors, they are slightly influenced by project managers in comparison to the influence of functional managers (See figure 1). (Dunn 2001, 3-9).

It is interesting to note that according to this study the responses varied according to the time spent on the projects. Project team members that spent more than 50% of their

time in projects responded that project managers have influence over more factors both hygiene and motivator factors. On the other hand, project team members that spent less than 50% of their time in projects responded that functional managers have more influence over both types of factors. (Dunn 2001, 3-9).

The major finding for the purposes of this paper is that there is data that shows the strong influence on the hygiene factors by the functional manager but; there is no sufficient information that proves that project managers control the motivator factors since there is a very small difference. This means that motivator factors that are addressed through the performance management system are controlled by both functional

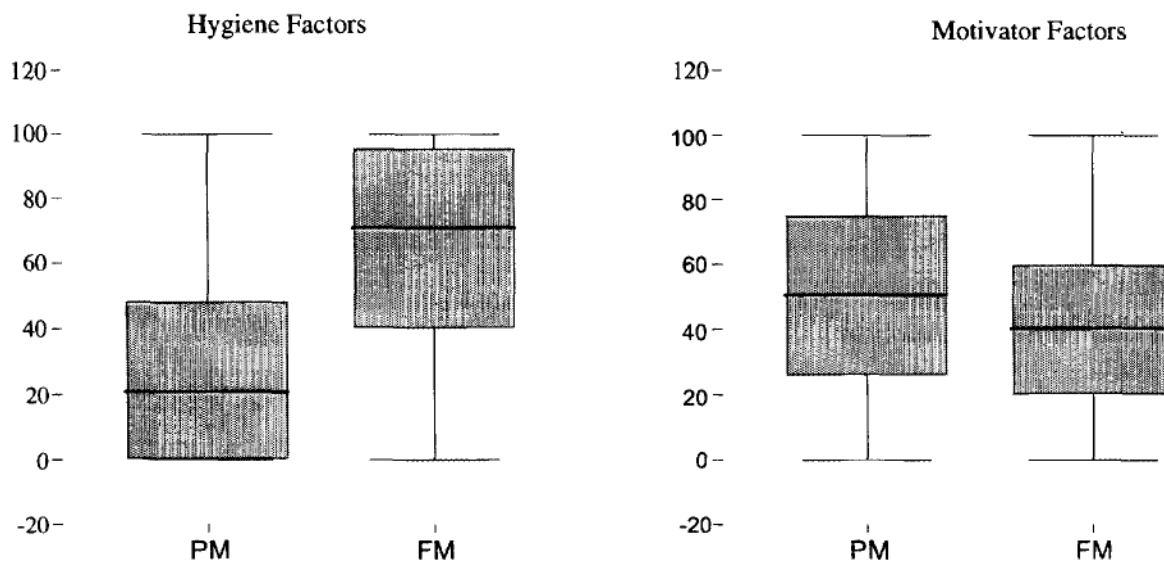


Figure 1 Box Plots for Hygiene and Motivator Factors (Dunn 2001, 7)



and project managers without a strong tendency for either one.

### *Evaluating the Performance Management System*

The effectiveness of a performance management system is measure to the extent to which it promotes a maximum contribution from the employees to the organization. For this reason, it is evaluated on the basis of strategic congruence, validity and reliability, acceptability and specificity (Lewis 2009). These measures are based on concepts from the motivation theories mentioned before.

In order to maximize the contribution of the employees to the organizational goals it is essential that the goals set to the employees are aligned to the goals of the organization and this is what the strategic congruence measures (Lewis 2009). On the other hand, validity evaluates the relevance of the performance measures to the job and reliability evaluates the consistency of the performance measures over time and across raters (Lewis 2009). For the system to motivate the employees it needs to be accepted by them and part of this acceptance relies in the level of fairness perceived from the system. This is what the measure of acceptability evaluates (Lewis 2009). Here is an example that denotes the relationship between the measure of acceptability and the concepts of the expectancy theory and equity and justice theory. If two employees who report to the same supervisor, with the same level of responsibility and apparently performing at the same level are evaluated and they receive a different treatment by their supervisor, the employees might perceived the system to be unfair and by consequence unacceptable. On the other hand, the measure of specificity evaluates the performance management system

for how specific the system is in providing feedback and guidance to the employees on where and how to improve their performance (Lewis 2009). This measure can be related to the goal-setting theory because employees are then provided with new goals to achieve which will need to be specific and challenging in order for the employees to be willing to maximize their performance.

When evaluating employees based on behaviors, the strategic congruence is high because behaviors can be directly linked to specific strategic goals. On the other hand, validity and reliability are high when the behaviors are related to the specific job and when evaluated based on anchored scales. Acceptability is high based on distributive justice but low on procedural justice because it makes reference to only one correct behavior. Finally, on specificity is high because specific feedback and guidance on behaviors can be provided. (Lewis 2009).

### *Behaviors in Matrix Organizations*

The matrix organization is recognized for being a collaborative organizational form” and for this reason, the primary behaviors that need to be promoted in this type of organization are collaborative behaviors. Among the collaborative behaviors, the behaviors that stand out related to levels of communication, conflict resolution, accountability, cooperation, pro activity and organization. There is interdependence between the different units in a matrix organization. In this case the collaborative behaviors will facilitate the interaction between the members of these different units. But,

who must be the promoters of these behaviors? The answer is the leaders that are in charge of the performance in a matrix organization.

### *Collaborative Behaviors and The Leaders*

Because of the nature of this type of organization, it leads to different motivational issues related “to variables such as the power of the project manager, project priority in overall workload, top management emphasis of project objectives, the two-boss issue (including power struggles), and long-range loyalties” (Dunn 2001, 3-9).

An example was mentioned that some organizations have failed to change from a functional to a matrix structure. One of the reasons is that leaders that possessed the power have been forced to share the power with the new project managers only creating a hostile environment and not obtaining favorable end results. Hence, there is a strong relationship between power and collaborative behaviors. Power is defined as a combination of “organizational position and personal attributes” (Cohen & Bradford 2002 ,4). A manager might have limited authority (organizational position) but great influence skills (personal attributes). The problem is when there is little authority and little influence skills because the manager will not be able to obtain favorable results from the team he/she manages. On the other hand, if the manager possesses authority but little influence skills the manager might obtain some favorable results but not the maximum contribution from the employees.

In some organizations that changed from a functional to a matrix structure, the authority still fell upon the functional managers but the power needs to be shared with the project managers. As a consequence, the two-line supervision generates “role conflict, role

ambiguity and role overload” (Dunn 2001, 3-9). All of these stress conditions might affect the motivation of the employees in a negative way if they are not addressed properly (Dunn 2001, 3-9). For this reason, it is not only important to clearly define the roles and responsibilities of both functional and project managers to avoid tensions, but also it is important that functional and project managers develop collaborative behaviors so these can balance the differences in power from the managers.

In this case, if the project managers do not have the same authority as the functional managers, by promoting collaborative behaviors the functional managers will not be forced to work together with the project managers although a natural collaborative relationship will develop among them. An essential part of this collaborative relationship is the communication. Managers will need to communicate not only to agree on the allocation of resources but in the determination of goals and priorities, and the resolution of conflicts among them. For this reason, it is said that behaviors that are related to high levels of communication must be promoted in matrix organizations.

Another behavior required in leaders of matrix organizations is the “one-firm behavior” This is related to building relationships inside the organization (Galbraith 2008, 192). These relationships will be built by being proactive in contributing to other sections of the organization, by helping others when asked to, and by looking for the organization’s interest and not only the personal interests. Following is a synthesized list of behaviors needed in matrix organizations created by Hay Group a management consulting firm that helps matrix organizations in implementing the structure right (2009).

- “Ability to lead a team of executives, who may be peers”
- “Build broad networks, externally and internally”
- “Engage in beneficial partnerships”
- “Manage cross-cultural demands”
- “Foster communications”
- “Emotional control, including transcending self-interest”

(Hay Group 2009)

In order to better understand the behaviors that need to be promoted in matrix organizations, it is vital to also identify the behaviors that need to be avoided in this type of organization. Below is a list created by Hay Group of the behaviors to avoid (2009).

- “Arrogance- you’re right; everyone else is wrong”
- “Interpersonal relationship issues (people who are insensitive, manipulative, authoritarian or aloof)”
- “Resistance to change to a collaborative way of working”
- “Mischievousness- believing that rules are made to be broken or that the ends justify the means.”

(Hay Group 2009)

### *Collaborative Behaviors and The Performance Management System*

Since the performance management system should be viewed as an instrument of motivation for the right behaviors it is essential that this system evaluate the collaborative behaviors that are essential in a matrix organization. Furthermore, it is recommended that

both managers, project and functional, participate and have input in the performance management process.

### *Performance Plan*

The performance plan is the basis for following steps in the performance management process. For this reason, managers must spend enough time planning the goals they want to include in the performance management plan and they must make sure these goals are aligned with the organizational goals. In addition, managers must start by identifying common goals in order to avoid duplication (Galbraith 2008, 148). Second, they must be aware that they might have some disagreements in goal priorities and this could result in conflicts, which they must solve in a good manner. In addition, the goals set to the employees must be linked to clear and well defined behaviors. Finally, during this stage, managers must agree on behavioral standards, which will be the basis for the performance assessment.

### *Performance Assessment and Feedback*

During the performance assessment what is important is what Galbraith calls the “collective judgment” (2008, 193). Collective judgment refers to the participation of key people who have worked directly and have carefully observed the actual behaviors of the employee to be assessed. Especially in matrix organizations employees come into contact with a lot of people in different areas of the organization and outside of the organization.

Among these people there are internal and external customers, peers, subordinates etc... If people in those categories evaluate the performance of the employee it could be said that in theory the assessment will provide a broader view of the actual behaviors shown by the employee. However, if there are a lot of people involved in the evaluation, the information can become bias and then it will not be useful for compensation purposes. This is one of the major drawbacks of the 360-degree feedback. This system is a multi-rater system where the raters contribute to the evaluation with their perceptions about the behavior of the employee. However, because of its nature, the results from the evaluation might or might not modify the motivation of the employees in a positive way and this will depend on how fair they perceived the feedback. Furthermore, this system is mostly being used by the companies for management development purposes and not for performance appraisal purposes (Work 911 1999). For this reason, it is very important to carefully select the people that will evaluate the employee because in order for the assessment to provide reliable information people must provide a fair and honest feedback. In matrix organizations it is suggested that at least functional and project manager evaluate the employee.

On the other hand, there is another performance assessment tool utilized recently by many companies called balanced scorecard. The balanced scorecard is a performance measurement framework created in the 1990's which measures the organizational performance in four different sectors: financial, internal business processes, customers, and learning and growth (Balanced Scorecard Institute 2010). When using the balanced

scorecard as a human resources tool the “individual performance is tied-up with departmental performance” (HRM Business 2009).

One of the constraints of using the balance scorecard in matrix organizations is that it does not account for the “overlapping accountabilities”, the “multiple reporting lines”, the “interdependencies” and “synergy opportunities” that exist in matrix organizations (Hay Group 2009). For this reason, the Hay Group a management-consulting firm developed a variation of the balance scorecard called the strategic scorecard. According to the Hay Group, this strategic scorecard “focuses on the elements required for making matrix organizations successful” (2009). Moreover, the difference between the regular balance scorecard and this strategic scorecard is that it “defines key performance indicators based on interdependence and synergies and concentrates on the ‘must win battles’ that are necessary to achieve organizational strategy” (Hay Group 2009). Differences are more fully explained in Table 1.

### *Development Plan & Rewards*

According to Galbraith, the development plan process in matrix organizations only differ from the process utilized by other type of organizations in the type of behaviors that need to be promoted such as the collaborative behaviors (2008, 186). The regular development plan will emerge from the performance evaluation given to the employee regularly every six months. On the other hand, there is a feature that can be incorporated to the development plan for an employee that can be very helpful in matrix organizations. This feature is rotational assignments. Rotational assignments are very



common in the aerospace industry. In this industry functional managers move to project manager positions in rotational assignments. This will give them the opportunity to better understand the roles, responsibilities, and challenges of each position. In addition, it will help them to expand their network across the organization and to broaden their perspective about matrix organizations (Galbraith 2008, 187).

<b>Balanced scorecard</b>	<b>Strategic scorecard</b>
Focus is on a business unit	Focus is across business units
Sets key performance indicators and targets in a balanced way for individual business units. Balance is based on qualitative and quantitative factors	Sets KPIs and targets in an integrated way across business units; targets are based on 'must-win battles' across the organization
Drives leaders to maximizing performance for the BU in a balanced way	Drives leaders toward optimizing performance to get synergies
Success for the business unit is the primary factor for reward	Success for the organization is the primary factor for reward
Rewards leaders for 'running the factory'	Rewards leaders for optimizing and finding synergies
Reinforces 'maximize my own area first', but also 'collaborate' as a secondary factor	Reinforces 'optimize to get synergies and good trade offs'; and also 'maximize performance in my own area'
Answers the question: 'what should I do to maximize my business?'	Answers the question: 'what should I do to optimize for greater performance across the company?'

Table 1 Balanced Scorecard vs. Strategic Scorecard (Hay Group 2009)

It is said that rewards are an essential driver of motivation and they are part of the performance management system. Therefore, they must motivate collaborative behaviors

by rewarding this type of behaviors. In other words, “reward and recognize performance based on the employee’s contribution to the whole, not just ‘their part’ of the organization” (Hay Group 2009). Actually, one of the main reasons why some matrix organizations failed is because leaders in this type of organizations are “rewarded to maximize their own results if they want to get ahead” (Hay Group 2009). Some organizations think that doing this means only to reward people based on the performance of the whole organization. However, it goes beyond that, it is necessary to create a definition for success that reflects “unit inter-dependencies” (Hay Group 2009). Some examples of successful matrix companies are 3M and Procter & Gamble, which have been recognized for rewarding employees that contribute to the whole not just a section of the organization. It was mentioned, that it is important that all organizations recruit and retain talented people in order to be competitive in this business world; this is basic in matrix organizations. The reason is that employees not only need to perform well in their functional activities but also in the project activities in which they participate. Therefore, the reward systems must be attractive and promote the retention of talented people with teamwork skills.

## Analysis

### *Case Study- Ink Cartridges Company X*

The Ink Cartridges Company X has a matrix organization (See Figure 2). There is a projects department in charge of the launch of new product lines of ink cartridges. This department is integrated by one member of each one of the different functional units in the organization.

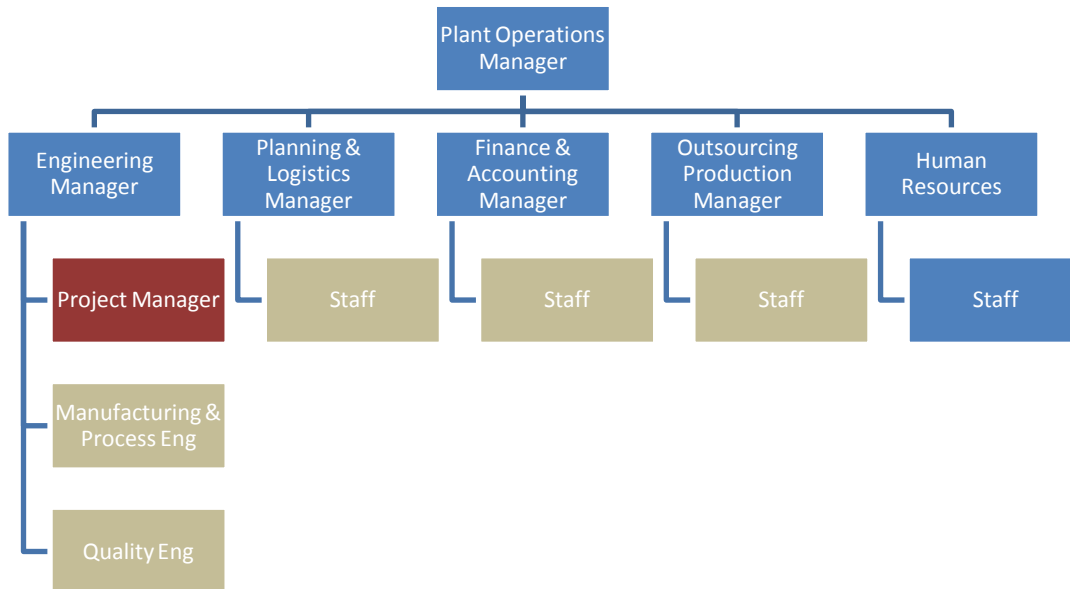


Figure 2 Ink Cartridges Company X Matrix Organizational Chart

It is directed by a project manager, whose main responsibility, is to launch the products on time. On the other hand, the members of this team report directly to the manager of their corresponding functional unit and indirectly to the project manager of the team. It is clear that both managers share the responsibility of driving the performance of the people reporting whether directly or indirectly to them in order to

achieve the organizational goals. However, these managers do not have the same level of authority within the organization, which makes the achievement of this goal a little difficult for the project manager.

One of the current challenges of the project manager in this organization is the lack of accountability from the project team members. Apparently, the members of the projects team always give priority to the work related to their corresponding functional unit. It is said that in matrix organizations this is a very common problem and not having the correct performance management system can contribute to this (Hay Group 2009).

The performance management system in this matrix organization gives the functional manager full authority over the employees he/she manages. In this case, the project manager has no authority to participate in any of the steps of the performance management process. Each functional manager is responsible for the performance management plan, evaluation, feedback, development plan and rewards distribution among all the employees. As a consequence, the current performance management plan, which is the basis for all other steps in the process, considers only the objectives of the functional unit and not the objectives of the projects team. On the other hand, these objectives are not linked to anchored behaviors preventing managers for setting behavioral standards that can help them motivate the employees.

Not having the authority to participate in the performance management system does not prevent the project managers to have influence in the performance management plan. As mentioned before, if the managers have the “collaborative behaviors” that allow them to work together for the end goals of the company, the lack of authority will not be

a problem. Nevertheless, this organization not even considers collaborative behaviors in the performance plan for its managers. The managers are only evaluated in the achievement of specific objectives linked to the organizational objectives (See Appendix A).

On the other hand, not even during the performance management assessment the input of the project manager is not considered. The functional managers of the employees that participate in the project management team are also the ones with the responsibility of assessing the employees. Not even during the feedback step the project manager is invited to participate. The result of this is that employees are not motivated to meet or exceed their performance in the project team.

It is interesting that the form utilized for the performance management assessment does not include a section for development plan. Employees in this matrix organization are evaluated but they are not given specific guidance on how to improve their performance and how they can exceed the expectations in future evaluations. Not just in matrix organizations but, in all organizations, this is an essential section of the performance management system. Since the employees must be motivated to improve their performance as they advance in their career within the company. It might be helpful in this case to promote rotational assignments where the functional project team members become the project leader for a period of time and then return to their functional assignments. This might be an option to motivate the employees to become the leaders of the team for a determined period of time, and help in the development of collaborative behaviors required in matrix organizations.

In order to evaluate the effectiveness of this organization's system it is essential to evaluate it in terms of the measures presented above. On strategic congruence this system rates high because the strategy of the company cascades down into specific individual objectives. With respect to validity, this system rates average since it does not measure all the important aspects of the job such as how well the managers manage and the development of their employees. On the other hand, with respect to reliability it rates low because it has no anchored scales that help to define the percentage of goal achievement when the objectives are not very clear, so it is not consistent.

With respect to the reward system, this company bases its rewards on the results obtained from the performance management assessment. If the percentage of achievement is above 100% then the employee receives the full bonus at the end of the year which is calculated based on the performance of the company. On the other hand, if the employee rates 100% or below he/she will receive a proportion of the bonus. What this means is that only employees who exceeded the expectations will receive the full bonus. Moreover, since this reward system is based on the performance management assessment provided by the functional manager, the system is only promoting individual behaviors and not collaborative behaviors. This company is rewarding people who contribute only to their sections and not to the organization as a whole.

In the measure of acceptability the system rates average since even though some of the objectives are clear for the employees to consider the system fair, some of the other objectives are not very clear of what the specific goal is. For example, one of the projects' manager objectives is to reduce the customer lead-time in order to achieve a

10% (See Appendix A). Based on this objective it is not clear by how much the project manager needs to reduce the lead-time in order to obtain the full 10% assigned to that objective. In this case if the manager reduces the lead-time by one day only he/she could argue that he met the objective and deserves the full 10%. However, if he/she does not obtain that result this could make the system unfair and as a result unacceptable. Furthermore, in the category that this system rates the lowest is specificity because based on these objectives it is very difficult to develop an improvement plan for the employee since the system is not linked to behaviors.

If we relate this performance management system to the two-factor theory of Herzberg, it can be stated that project managers have little influence over the motivator factors. On the other hand, functional managers in this organization have most influence over the motivator and hygiene factors. This is based on the assumption that since the employees spend less than 50 percent of their time in the projects team, their responses can be related to those with the same characteristic in the study presented above.

Based on this evaluation, it is inferred that the current system utilized by the Ink Cartridges Company X has a lot of inconsistencies that make it ineffective. This system does not encourage motivation in fact it does not promote collaborative behaviors at any level of the organization. Moreover, it encourages silos and does not encourage its employees to improve their performance as time passes by. There is no doubt that the people in this organization are not motivated to perform at high levels; at least in their project team assignments. Based on the elements of motivation, their direction, effort and persistence are oriented to the functional responsibilities of their corresponding units. As

a consequence, there exist accountability problems that might result in project delays there causing monetary losses for the company.



## **Conclusions & Recommendations**

There are not many books that write about the relation between the performance management system and its impact in the success of matrix organizations. However, it seems that the consequences for not having the correct performance management system that encourages the right behaviors can lead to the failure of the matrix structure. According to Hale, “without a systematic process, you risk motivating the wrong behaviors and rewarding people whose work does not contribute to long-term success” (Hale 2004, 180). Long-term success in this case can be related to the success of the structure of the company. Failing to recognize the performance management system as a driver for motivation can cause that the managers not to utilize this tool to their full advantage for the goals of the organization. Or even worse an incorrect system can mislead the employees and lower their motivation.

The main responsibility of ensuring that the performance management system used by a matrix company promotes the right behaviors falls upon upper management. Right behaviors must initially be promoted through the culture of the company which again falls upon the responsibility of upper management. Managers and all other employees might be willing to cooperate but they can be discouraged if they perceived that the culture of the company does not promote collaborative behaviors. Moreover, employees might find in this action a careless attitude from their superiors to the right behaviors, so if upper management does not care why should others care.

As employees, people need to have a direction in order to perform. People need to know what is expected from them. It is part of human nature to have control of our own

acts based on the probability of outcomes. If people do not know where to focus their efforts in order to obtain the expected results people become unmotivated. This is why the performance management system acts as a major motivator in the workplace. On the other hand, it can become a negative motivator if it lacks consistency with the responsibilities assigned to the employees or if it is unclear. For this reason, employee goals need to consider all the responsibilities assigned to them, even responsibilities that are not part of their functional job which can be related to project assignments.

On the other hand there is no doubt that both functional and project managers must work together through all the performance management system process in order to maximize the contribution of the employees for the overall goals of the organization. Even though the project manager does not have the same level of authority as the functional manager both managers are still responsible for motivating the employees to perform.

One key point in order for this to happen is to “align the goals and priorities” of the project and functional units so they, in conjunction, can develop a performance management plan that promotes the success of both units and the correct development of the members involved.

The performance management process itself is difficult to follow by managers in all types of organizations because its human management nature. More difficult is for managers in matrix organizations that need to get in agreement with other managers in order for their employees to meet the expectations of both units. According to Hale there

are some common mistakes that managers regularly make related to motivating employees

1. "They fail to point out the importance of the work to be done."
2. "They discount the significance of a personal thank you, general courtesies, and politeness."
3. "They are unclear on their purpose- whether they want to encourage specific behaviors or reward results."
4. "They fail to link the reward or recognition to performance."
5. "They do not reward people fairly or equitably."
6. "They think treating everyone the same is best."
7. "They think treating everyone differently is best."
8. "They reward meaningless results."

(Hale 2004, 181)

Fairness is a very sensitive concept because it is strongly related to the perceptions of people. This is why being fair at the time of evaluating and rewarding employees seems to be very vague in all different types of organizations. For this reason it is strongly recommended that managers work together to establish clear goals and standards to avoid fairness problems since the beginning of the performance management process. In the same way based on the mistakes listed above it is suggested that results are linked to behaviors when evaluating employees and not only based the evaluation on results because they will be failing to recognize the importance of behaviors that will lead to long-term results. Even the results from two employees might be the same the

behaviors that drove those results might be different. These how to behaviors should make a difference in the performance evaluation from these employees.

One of the main recommendations to managers is to allow enough time for the identification of behaviors related to the tasks and behaviors that demonstrate collaboration. In order to do this it might be helpful to follow the following steps according to Hale (2004, 81-82).

1. Identify the job characteristics
2. Map the tasks related to the job. Make sure to identify all the linkages among the tasks in order to identify linkages from the functional and project units.
3. List the desired behaviors required to complete the tasks related to the job. Ask for the opinion of people related to those tasks.
4. Ask the people that are familiar with the tasks to visualize a person who has performed very well these tasks. Make the people think about what did the person do to be notable in performing those tasks.
5. Now ask the same people to visualize a person who has performed poorly in the same tasks. Ask them to think about what they did to fail the expectations.
6. Divide the list of behaviors in two groups. The first list will list will include the behaviors that are directly linked to the tasks and the second group will include those that are related to general areas as communication etc...

7. With both lists, develop a list of behaviors that a person in that position must possess and clearly link those behaviors to specific goals of the organization cascaded down to the employee.

The Ink cartridges company case study shows that the lack of accountability is just one of the major issues that resulted from not having a correct performance management system. This could be attributed to the lack of authority from the project manager over the evaluation and development of the project team members. Even though there are various techniques that can help managers like the one in this case study to influence without authority, it would be very helpful to involve the project manager not only in the development of the performance plan of the employees but also during the evaluation, feedback, development plan and rewards distribution. Moreover, top management should be responsible for promoting collaborative behaviors within this organization in order for the leaders to work together with the project manager for the overall goals of the organization.

Furthermore, not only employees in the projects team but also the leaders should be evaluated on collaborative behaviors. It was shown how this company is not considering all behaviors at the time of the evaluations. This company x only bases its performance evaluation on results and not on the how to behaviors. For this reason it is strongly suggested that collaborative behaviors be linked to the individual goals that at the same time should be cascade down from the organizational goals. An example of a performance plan that is suggested for the project manager of this company is shown on Appendix B.

## **APPENDIX A**

DEPARTMENT: Engineering		NAME:		POSITION: Project Manager	
VISION	Establish and implement clear direction using PDCA to achieve good cycle				WHY AM I IN THE COMPANY?
MISSION	Secure simple and speedy decision making process / job process within local members				WHICH DIRECTION AM I TAKING AND HOW FAR?
VALUES	Safety, Quality, Cost, Delivery				WHAT IS THE MOST IMPORTANT THING?
ACTIONS					??
	Employee's FY Action Plan	weight	Achievement %	Activities results (self evaluation)	Results Review (supervisor/manager/director)
	<b>1) Realize required quality (QCD) of each job or process, keep and improve our service level to maintain our customer satisfaction</b>	70%			
	Customer Satisfaction: Customer Complaints = Zero Official Customer Complaints	17.5%			
	F-Cost Down: On-time product delivery = 100%	17.5%			
	Accurate timelines = 100%	17.5%			
	Preparation for QMA next FY08 (PLAN,DO)	17.5%			
First					
Half					
	<b>2) Continuously improve the processes and services</b>	30%			
	Projects Flowchart: Improve the effectiveness of the process flow	10%			
	Reduce the customer lead time	10%			
	4 approved Seed s of Hope ideas per quarter.	10%			
<b>Results</b>	<b>Employee signature:</b> <b>Supervisor/Mgr/Director signature</b>	<b>100%</b>			<b>Grade: S A B C D</b> (boss evaluation)
				<b>Grade description</b>	<b>S = Superior</b>
					<b>A = Above Average</b>
					<b>B = Average/Normal</b>
					<b>C = Meets Minimum Standards</b>
					<b>D = Needs Improvement</b>

## **APPENDIX B**



MISSION VALUES ACTIONS	Secure simple and speedy decision making process / job process within local members Safety, Quality, Cost, Delivery			WHICH DIRECTION AM I TAKING AND HOW FAIR? WHAT IS THE MOST IMPORTANT THING?
	Employee's FY Action Plan	weight	Achievement %	Activities results (self evaluation)
	<b>1) Realize required quality (QCD) of each job or process, keep and improve our service level to maintain our customer satisfaction</b>	<b>70%</b>		Results Review (supervisor/manager/director)
	Customer Satisfaction:	17.5%		
	Customer Complaints = Zero Official Customer Complaints			
	Responds promptly to requests from others			
	Focuses on goals and objectives and achieves results			
	Maintains effective working relationships with internal/external customers			
	Displays positive attitude and initiative			
	F-Cost Down:			
	On-time product delivery = 100%	17.5%		
	Accurate timelines = 100%	17.5%		
<b>First</b>	Preparation for QMA next FY08 (FLANDOO)	17.5%		
<b>Half</b>				
	<b>2) Continuously improve the processes and services</b>	<b>30%</b>		
	Projects Development:	10%		
	Improve the effectiveness of the process flow			
	Consistently shows respect and courtesy to others			
	Contributes to building a positive team spirit			
	Takes initiative to help the team improve			
	Gains cooperation from other team members			
	Actively serves project team members to achieve departmental and company objectives			
	Reduce the customer lead time	10%		
	4 approved Seed s of Hope ideas per quarter.	10%		
<b>Results</b>	<b>Employee signature: Supervisor/Mgr/Director signature</b>	<b>100%</b>		<b>Grade: S A B C D</b> (boss evaluation) <b>S = Superior</b> <b>A = Above Average</b> <b>B = Average/Normal</b> <b>C = Meets Minimum Standards</b> <b>D = Needs Improvement</b>
				<b>Grade description</b>

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