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The Possible Remedies for the Challenges of Matrix Organization System in IT Outsourcing Industry

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Abstract:

Cross functional management is an alternate term for matrix management, which is the familiar and unavoidable management practice in IT outsourcing companies. This research paper attempts to yield remedies for the challenges that exist in the IT outsourcing industries with respect to usage of matrix organization. We evaluate the merits and demerits of the matrix organization in the IT industry. We use the literature review and narrative view based to come up with the possible remedies for the challenges identified, which can be implemented upon verifying the validity.

Keywords: Matrix organization, IT outsourcing industry, Matrix management, Service delivery, Dual reporting, Cross Functional, Project management

1. Introduction

In general, a matrix organization system is defined as one of the multiple reporting lines meaning a person has more than one manager. Reporting relationship level may vary based on the assignment and association with an employee. It can also be said that it is all about practicing & managing the individuals with more than one Manager.

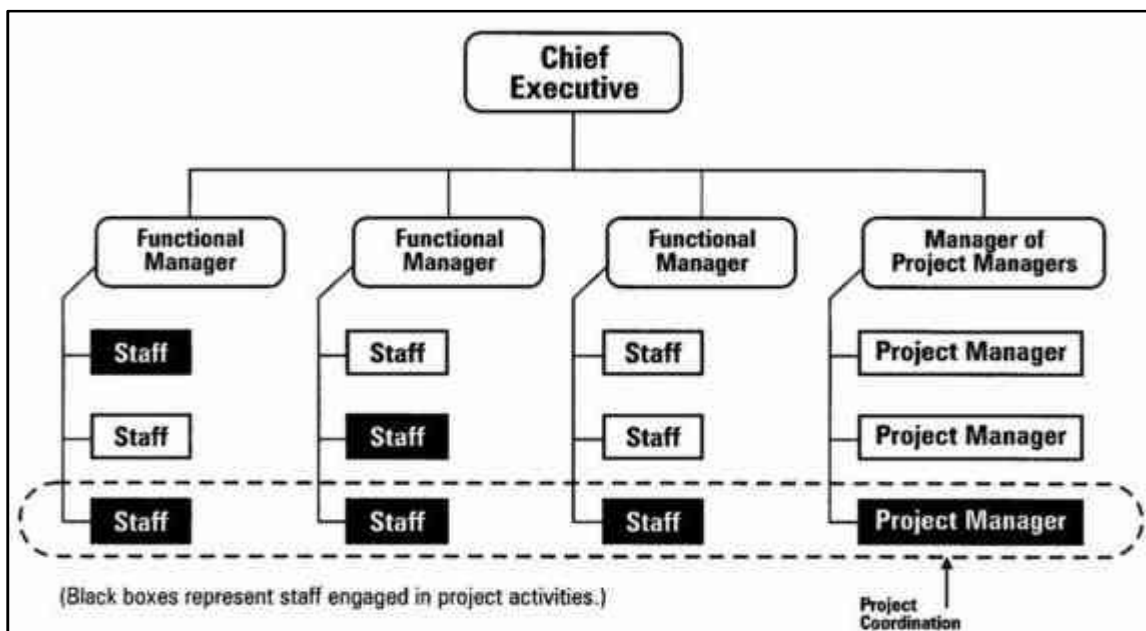


Figure 1: Sample Matrix Organization, Courtesy: <http://www.visitask.com>

In the above shown picture, an employee reports to the people manager vertically and horizontally, he works with other managers for service delivery. Other managers include functional manager, project manager, service delivery manager, Quality manager, operations manager, etc.

1.1. Origin of Matrix Organization

Matrix organization practice came into existence 5 decades ago. During 1960s, when every organization habituated with traditional management practices, the MOS came into picture and caused a revolution in management practices. Slowly every industry started using the MOS techniques. For instance, aerospace, chemical, hospitals, universities, construction, manufacturing industry and many more.

1.2. How IT outsourcing works

ITO refers to information technology outsourcing. Infrastructure technology is a subset of information technology. Mostly, the Non-IT companies such as Chemical industry, Motor Industry, educational institutions and others outsource complete or a part of IT supports to the ITO companies such as IBM, HP, Accenture, Atos, IGATE, Wipro, CTS, TCS, HCL, Fujitsu and others.

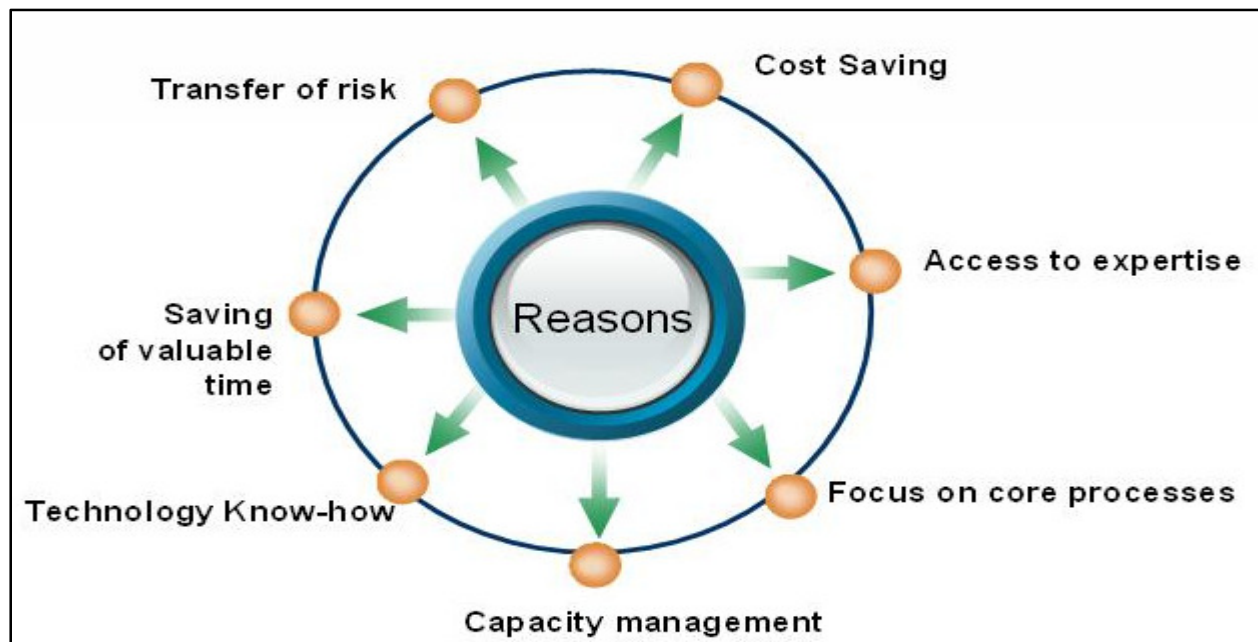


Figure 2

The IT outsourcing includes the workplace services, network services, server support, web management, data center management, database management, service desk support, hands and eyes support. The main goal for IT Outsourcing is to reduce the operation cost. When a company owns the entire IT, they need to have dedicated data center, dedicated servers, network devices, storage devices, service desk, which consume more power, space, cooling system, man power, WAN technology, which is leading to high operation cost but when they give it to ITO companies, the operation cost is comparatively less because the service is from the shared environment where the cost is divided to multiple Non-IT customers.

1.3. MOS in ITO industry

MOS exist for more than half century in non-IT industries. The infrastructure and information technology caught up rigorously in 1990s. As the cross functional concept started building up in IT industries, the MOS got into the IT industries and faced few peculiar challenges which was not there in non-IT industries. The same is discussed in detailed by L.S.Reddy et al in [1] "The challenges of matrix organization system in IT outsourcing industry"

2. Literature Review

Nick Horney, Tom O'Shea in 2009 [7] mentioned that in the literature, the terms matrix management, project management, matrix organization and project organization are frequently interchanged. All of these terms refer to some type of cross-functional organization because they invariably involve bringing people together from two or more usually separated organizational functional areas to undertake a task on either a temporary basis (as in a project team) or on a relatively permanent basis (as in a matrix organization).

Pia Gustafsson et al in 2008 [11] said that we have seen that the business values of IT can be derived through analysis of the impact IT has on organizational structure. The framework suggested differentiates between communication systems (vertical and horizontal), work flow systems and automation systems. Furthermore, the framework identifies those organizational variables that are affected by IT, while they are affecting business values.

John Mahoney in 2013 [9] denotes that the structure of an IT organization determines which assets of technology, people, service and process are developed and exploited. Almost all original IT organizations from the 1960s onward used technology as their primary

structure. They had sections dealing with hardware and software, communications, security, and other areas. That allowed the expensive and scarce assets of equipment, software and technical skills to be consolidated and exploited to the fullest extent. This remains the most common structural choice, but it is lessening, and will be the least used by 2011 because of drivers for greater business alignment, service excellence and process focus. It is often augmented by a second structural dimension, which is a matrix management arrangement, bringing together all the resources related to particular business units.

2.1. Pros and Cons of MOS

Based on the study conducted through the literature review of reasonable number of researches, we see lot of advantages and disadvantages. We have listed the merits and demerits of MOS in IT Industry in the below given table 1

Merits	Demerits
Operation cost is less since the technical people are shared among multiple projects	Responsibility without authority is a bigger issue
Opportunity is more for employees as they can swap their profile from one technology to other.	There are frequent changes in the organization structure which makes employee to confuse more.
Knowledge sharing opportunity is more.	Employees may feel confused about loyalty because of the interaction with many managers.
MOS gives a chance to learn other regional people's diversity and understand their traditional practices.	Since the employees are being controlled by functional manager, project manager may lose his control with the employees.
There is an opportunity to improve the language skill.	The dual authority concept of MOS makes both the managers to control employees to take personal benefit.
Flexibility in the use of human and capital resources	Communication related issues to two or more different country or region people
Increased individual motivation, job satisfaction, commitment and personal development;	Project manager do not have control on human resource and he may not a right resource, personal relationship or conflict may create issues.
Matrix organization is right concept to develop a new team ,new concepts and new business areas	Confusion over roles and responsibilities between functional managers leading design teams and project managers overseeing project performance.
Coordination of complex processes is more and dependency on others are high	MOS is costly because of overhead and staff, more meetings, delayed decisions, and information processing;
Business continuity opportunity is more with respect to human resources	Creates conflict among individuals who must work together but have different backgrounds and perspectives on work, time horizons, and goals (Diversity and ethnic issues)
Suitable for situation management and decision making easy	Creates ambiguity over human resources, technical related issues, pay scale, and personnel assignments
Handling major incident management becomes is possible as there are more technical resources to support.	Unclear responsibilities which damages the reputation of corporate.
Improves employee's vision through more responsibility which leads to good decision making skill.	Matrix is all about delegating the responsibilities to each other which leads to issues.
	Unclear situation about who is to receive recognition for good performance and who is to be addressed for poor performance.
	Most of the times situation is like a cat in the wall, less clarity in decision and authority.
	Opportunity for more stress to the employees
	Since there are more meeting and coordination, employees have to spend more time.

Table 1: Merits and Demerits

2.2. Challenges in Matrix Organization in IT Outsourcing Industries

The challenges of MOS in IT Outsourcing industries is listed in detailed below as given in [1]

1. Lack of ownership on employee
2. Employee job security
3. Performance rating
4. Diversity issue and ethnic variance
5. Philological/communication issues
6. Fight for appreciation
7. Ownership on delivery & mistakes

8. Responsibility without authority
9. Opportunity for conflict
10. Global position and pay alignment
11. Virtual organization Vs matrix organisation
12. Dual/multiple authority

2.2.1. Possible Solutions for the Identified Challenges

In this paper we discuss the possible solution for the above listed challenges. However the remedies are generic in nature, it varies from case to case and place to place.

- Performance System
 - ITO Companies should have “360-degree” feedback system into which the individual’s functional manager, project manager, service delivery manager and co-workers can provide input.
 - The feedback system should be transparent.
 - Every company needs to have a feedback system where employee can go for skip level discussion to the higher managers who are above his reporting manager.
- Cross Cultural Development
 - Cross cultural training is highly required for the employee who is working on MOS based projects so that it will be easy for the employee to understand the lifestyle and the traditional practices from the people of other region or country.
 - Organizations need to have a dedicated team in order to collect cultural values from various countries using some research method so that it will be helpful for the training team to cascade the information to the employee.
- Communication Issues
 - During communication, language plays a vital role in transferring ideas and thoughts. It is important for employees to have a neutralized language which everyone can understand and will reduce time to clarify the doubts and also increase the efficiency.
 - During the conversation, people working under MOS need to know the ideal number of words which can be used in a minute. This will make understanding easy for all the contributors.
- Fight For Appreciation
 - There is a need to create a matrix culture in an organization. When an employee is onboarding in to a company, they need to go through an induction program where MOS should be a part of it. So that it will help the employees to understand MOS in a better way to perform well in order to deliver the best to the customer.
 - Self-assessment of the organization’s values will help to understand where the organization stands in terms of matrix organization.
- Virtual Organization Vs Matrix Organization
 - Organizations have become virtual across the globe, creating virtual relationships between the employees. They are losing an opportunity to interact each other in real time. So it is important for ITO companies to consider keeping a single delivery unit at one place or country so that all the technology people can be able to work or interact together.
 - In case the above suggestion is not possible due to some business reason, companies have to consider at least keeping a specific category technology employees, at one place.
- Dual Or Multiple Authority
 - Power or authority needs to be defined from human resource and project perspectives. The power of a project manager can be at the team level in order to get the service delivery and the power of functional manager should be at the individual level in order to look in to employee’s personal issues, skill development, training related things.
 - Self-assessment of the organization from a human resource perspective can help to resolve the issue.
- Poorer Response Time
 - Clearly defining a project goal and assigning a resource with the time frame should eliminate the delayed response time, since it will replicate his performance in an organization.
 - Continuous improvement plan on matrix organization design will bring new ideas and the negatives thoughts can be eliminated.
 - Organisation should have a better understanding on the implementation of the matrix organization as to whether it is for the whole organization or for a specific division of the organization.

- Ownership On Delivery & Mistakes
 - Understanding the skill level of every employee will help us to identify the right resources for the right project. This will lead to assign the project to the right person based on one's ability and increase the ownership level. Since, the job is with the right person the mistakes can be reduced.
 - By owning the assignment the respective person or team will have to own the mistakes if something goes wrong, so they will be cautious and more focused on the work.
- Responsibility Without Authority
 - When a manager works with people without power and persuades them to complete the assignment, he may not get the expected output on time. This is because he does not have an authority to fulfill what an employee expects from the manager.
 - Respective managers should have power at least with some limitations. For example, if a project manager wanted to suggest for training to a specific employee, he should be able to process the request without going through so many approvals through different level of managers.
 - Choosing the right matrix type which suits the organization based on the business need, corporate policy, etc, will give more appropriate outcome to an organization.
- Opportunity For Conflict
 - Roles and responsibilities of each manager and employee should be classified very clearly as they can take more ownership on the assignment and at the same time conflict can be avoided.
 - Enterprise or IT governance should have a clear visibility on matrix organization model so that the role and responsibility can be classified clearly and enterprise monitoring system should tell us what happens within an organisation.
- Global Position And Pay Alignment
 - When an organisation creates a position it has to be created globally.
 - The position & pay structure should be almost same in all the countries. The conversion can happen based on the local currency but the difference should be minimal.

2.2. Lack of Ownership on Employee

- Interaction and understanding between the matrix managers should be good which will make the environment healthy.
- Top management needs to look in to MOS implementation model through CIP which will help an employee to have loyalty towards an organization rather than an individual manager.
- Promotion and appraisal feedback need to be obtained from all the respective managers anonymously so that the right ratings can be given.

2.2.3. Employee Job Security

- Enterprise system should be created which can be a single location for people manager, functional manager, project manager and service delivery manager so that every change regarding employee can be monitored by all the respective managers so that the transparent approaches can be implemented.
- By implementing the above, any positive or negative thing can be recorded. An organization decision on separation process has to be involved with various managers anonymously.

2.3. Conclusion

The IT industry enjoys the benefit of the MOS. But we have come across few challenges that the IT industry has to face due to MOS. The challenges recognized in the study should be made aware to the IT industry. It is also essential for every employee under the system to be trained to fit into the system with minimal disadvantages. The suggestions made to eliminate the challenges in this paper can be implemented to achieve higher efficiency by studying the needs of the organization.

2.4. Proposal for the future study

The exhaustive study in this paper has paved way for the following areas of research.

1. The suggested remedies can be tested and implemented in an ITO industry.
2. Researchers can test the suggested remedies for suitability of Non-IT industries as well.
3. Industry representatives and researchers can verify the discussed challenges and proposed solutions with the people who work in the ITO industry by using the validated questions and statistical methods to drive the solution.

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