improve

Applied Insights from the FH Kufstein Tirol

THE STRUCTURE MATRIX

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THE STRUCTURE MATRIX
MANAGING ORGANIZATIONS STRATEGICALLY

Strategic management is often externally oriented. Organizations want to influence stakeholders such as customers, suppliers, or politicians in order to create favorable environmental conditions. However, in markets that are characterized by the activities of numerous players, a wide range of interactions arise, resulting in a dynamic that can only be controlled to a limited extent by individual players. As an alternative to the classic inside-out perspective, the outside-in perspective focuses on the control potential of the company's own organization. This approach makes it possible to align internal structures in such a way that they can react flexibly and successfully to external dynamics in the long term. The structure matrix provides a valuable basis for doing it.

By Prof. (FH) Dr. Peter Dietrich

1. ORGANIZATIONS: STRUCTURED FREEDOM THROUGH LIMITATION

Organizations are formed to achieve goals better together and to increase the effectiveness of individuals[1]. Organizations therefore make many things possible by at the same time making many things impossible. They reduce the multitude of potential options for action to a few targeted alternatives. These help them to make themselves and their customers, suppliers, partners, and other stakeholders predictable and to behave in an anticipated way. Structures are essential for the ability of organizations to act. However, they work in the background and are therefore often overlooked performance drivers. They create order, reduce complexity, enable decisions to be made, and facilitate implementation. A good structure allows organizations to react to external changes as well as to act proactively.

Decision-making premises keep organizations on course.

Structures are established through decisions that not only have a one-off effect, but also influence further decisions in the future as fundamental premises and thus keep organizations on track[2]. For example, an IT technician's decision to restart a server is not a decision premise, as it only relates to a specific problem. A real decision premise, on the other hand, is when IT management decides that server failures must be reported to management within five minutes and rectified within one hour. Such specifications act as a framework that guides action in comparable future situations.

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[1] Malik, F., Führen Leisten Leben, Frankfurt 2019, p. 188.
[2] Simon, F. B., Introduction to Systemic Organization Theory, Heidelberg 2021, p. 70 ff.

Therefore, these basic guidelines serve as a basis for subsequent decisions, they create certainty of expectations and structure procedures. They do not determine behavior, but guide it by firstly drawing attention to deviating behavior and secondly making it subject to explanation.

2. THREE STRUCTURAL FEATURES: COMMUNICATION CHANNELS, PROGRAMS, AND PERSONNEL

Organizations can be analyzed and designed on the basis of three different structural features: communication channels, programs, and personnel.

Communication channels: These include all channels, platforms, processes, and so forth, through which information flows within the organization. They determine who is allowed to communicate with whom, how information is passed on, and how decisions are made. Typical examples are hierarchical reporting channels, management processes, official meetings, and minutes. Communication channels are crucial as they determine how efficiently information is transported and how clearly decision-making is structured. A good communication structure helps to avoid misunderstandings and enables information to be passed on efficiently. The long-standing diagnosis "We live in an information age" describes precisely this importance of professionally managed communication channels.

Organizations function via
communication channels, programs, and people.

Programs: These contain all the established procedures, rules, and regulations that define how work is done and managed. Programs can be defined as simple "if-then rules". That is, input-oriented via so-called conditional programs. One example is a call center in which it is precisely defined how inquiries or complaints are to be handled. More complex target orientations can be achieved via so-called purpose programs. Here the focus is output-oriented, or geared towards a result. This is precisely the core of "management by objectives" (MbO) or "objectives and key results" (OKR). One example is the agreed goal of increasing market share in a sales region by five percent. Programs give all those involved guidance on what is expected of them. They ensure that processes are standardized and therefore repeatable, which in turn increases the productivity of an organization.

Personnel: The personnel dimension comprises the assignment of roles within the organization. At its core, it is about the definition and distribution of tasks, skills & competencies, and responsibilities. It can make a considerable difference which position is filled with which type of employee, which training and know-how. The recruitment, further development, transfer or dismissal of employees can be used to adjust personnel. In addition, roles and skills can usually be adjusted quickly depending on the situation and market environment.

3. THREE SIDES OF THE ORGANIZATION: FORMAL SIDE, INFORMAL SIDE, AND VISIBLE SIDE

In addition to the three structural dimensions described above, the differentiation of three different sides of an organization is essential for management. These are the formal side, the informal side, and the visible side of the organization.

Formal side: This concerns all officially defined and therefore binding rules and processes. At the formal level, communication channels are regulated by hierarchical structures and reporting channels that clearly define who may or must communicate with whom. Programs include all established regulations and standards that determine work and management processes. At the formal level, personnel are described by fixed roles and tasks that are subject to clear responsibilities and skills & competencies. The formal side creates stability and orientation and ensures that the organization remains predictable.

Organizations can be perceived through the formal, the informal, and the visible side.

Informal side: This comprises the informal networks, routines, and habits that develop outside of formal structures. This side is often evident in the communication channels that form and consolidate unplanned, for example through personal relationships or private conversations. Informal programs consist of tried and tested practices that prove themselves in everyday life but are not officially established. Informal hierarchies emerge at staff level, in which certain people have particular influence without a formal role. The informal side of an organization enables flexibility and adaptation. It plays an important role when formal structures are perceived as inadequate or too bureaucratic and hinder rather than support daily business.

Public face: This refers to the symbolic representation of the organization and its values, which are communicated primarily to the outside world. At the level of communication channels, for example, the organization demonstrates values such as transparency and openness through public announcements, meetings, or events. Programs are often used to emphasize the image of efficiency and professionalism, even if these standards are not always consistently implemented on a day-to-day basis. When it comes to personnel, the appearance is demonstrated by representative roles and symbolic leadership positions that embody the desired image of the organization. The appearance is decisive for the legitimacy and trust that an organization receives from its employees and the public.

Fig. 1: The nine fields of the structure matrix			
features → Pages of the ↓	Communication channels	Programs	Personnel
Formal side			
Informal side			
Display side			

4. SUMMARY AND CONCLUSION ON THE NINE FIELDS OF THE MATRIX

The combination of the three structural characteristics and the three sides of the organization results in a so-called structure matrix with nine fields (see Fig. 1). It is a comprehensive grid that makes it possible to systematically analyze and shape the complex dynamics within an organization[3]. Three levels are of interest here:

Formal communication channels, programs, and personnel provide the stability and order that an organization needs in order to act consistently and predictably. The degree of formalization ranges between the extents of "over-regulation" (rigidity) and "under-regulation" (chaos). Continuously balancing this degree of formalization is essential in order to ensure both flexibility and stability.

The **informal communication channels, programs, and personnel** ensure the flexibility and adaptability of the organization by creating space for individual modes of action and informal networks. As a rule, the informal side cannot be influenced directly, as it develops in response to the activities of the formal side. It must therefore be shaped indirectly, via the ties

The structure matrix is an instrument for organizational diagnosis and development.

The **showcase of communication channels, programs, and personnel** shows how the organization shapes its self-image and influences external perceptions, which has a direct impact on its legitimacy and trust. Especially in situations where there is an increased need for legitimacy, numerous control impulses stem from the need for showcase activities.

The nine fields of the structure matrix can be used to systematically carry out an organizational diagnosis (see Fig. 2). It is an effective tool for analyzing complex corporate dynamics and identifying strategic options for action. It allows formal, informal and external aspects to be systematically considered and weak points such as

[3] Kühl, S., Organizations: A very short introduction, Wiesbaden 2020, p. 77 ff.

a lack of standardization, communication problems, or informal power structures to be identified. At the same time, it highlights strengths such as an innovative corporate culture or flexible adaptability. In this way, mobilizable resources can be identified and specifically addressed, while immobile conditions are taken into account as stable framework conditions. The matrix creates a solid basis for sustainable organizational, personnel and cultural development.

Summary: Application and benefits
1. Holistic analysis: It presents formal, informal, and show-side aspects as well as the relevant structural dimensions in isolation and in their interactions.
2. Structure as a success factor: It focuses on structural conditions as the basis for sustainable performance.
3. Strategic design: It supports the planning and implementation of changes by highlighting correlations and scope for action.
4. Possibilities of influenceability: It shows what can be directly controlled and what cannot (such as informal cultural aspects).

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Fig. 2: Structure matrix - tool and example (industrial company)

An industrial company in the renewable energy technology sector has grown considerably in recent years. Due to "organizational growth pains", the structure matrix is used to obtain a diagnostic picture of the organization and derive targeted improvement measures.

1. Diagnosis of the structure matrix

Structural features → / Pages of the organization ↓	Communication channels	Programs	Personnel
Formal side	• Clear organizational charts and responsibilities in place • Top-down decisions dominate • Strategic and operational decisions concentrated in GF • …	• Positioning available (high quality and innovation) • Customer and department-specific process standards partly given • Few uniform programs for internal procedures exist (consequence: redundancies...) • …	• Requirements for technical know-how for key positions partly outdated and inconsistent • Clear ideas regarding new specialists - problem: thinned-out labor market and sometimes unprofessional recruiting • …
Informal side	• Personal networks dominant • Informal access to important information provided by long-standing employees • Increasing problem of informal knowledge • …	• Strongly characterized by dynamic and flexible approaches • Programs influenced by founder mentality • Danger of too much of a "historical view" in the meantime • …	• Influence of long-standing employees on informal structure present • Recognizing conflicts and misunderstandings in cooperation • Increasing orientation problems among younger employees • …
Display side	• Presentation of a partnership-based dialog with stakeholders available • Focus on transparency and proximity • …	• Presentations as a highly innovative, future-oriented company • High adaptability to customer expectations • …	• Presentation as a family-oriented employer • Good salaries and benefits as retention elements • …

2. Measures for organizational development

Element of the matrix	Measure	Date	Responsible
1. communication channels	Complete overhaul of the meeting structure and introduction of professional meeting management	31.03.	W. Schelling
2. programs	Introduction of functional strategies for purchasing, sales, IT... as a framework for alignment and interface management	30.09.	P. Anchor
3. personnel	Professionalization of management development and introduction of a company-wide AI training program	30.11.	…