

# Performance evaluation in a matrix organization: a case study (part 3)

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Steven H. Appelbaum, David Nadeau and Michael Cyr

Steven H. Appelbaum is Professor of Management and Senior Concordia University Research Chair in Organizational Development at the John Molson School of Business, Concordia University, Montreal, Canada. David Nadeau is a Senior Group Leader at CAE-Aerospace, Laval, Canada. Michael Cyr is Vice-President of Lockweld Inc., Candiac, Canada.

## Abstract

**Purpose** – *The purpose of this article is to examine and ultimately suggest the most effective method with which to evaluate employees operating within a matrix organization. The authors will demonstrate the tools, corporate participation and acceptance levels required in order to ensure employee and manager “buy in” and implementation.*

**Design/methodology/approach** – *This article consists of a comprehensive review of literature demonstrating functional areas within a matrix organization as well as employee evaluation methods within various organizations. It is presented in three sections: defining a matrix organization; demonstrating effective evaluation methods and strategies; and finally how the two should work together. Critical incidents are interspersed throughout the article in order to demonstrate how the research compares to the methods employed by a leading aviation engineering firm.*

**Findings** – *Ineffective evaluation methods within matrix organizations can lead to lower employee morale as well as an ambiguous understanding of employee roles within such an organization. Employee and management buy in and support of an evaluation system and its goals are crucial to the success of the program. The multi-rater system appeared to be most effective.*

**Practical implications** – *Several tools exist to help employers effectively evaluate their employees in a constructive and effective manner. Among them are clear job description and corporate structure, followed by a review of performance by both functional and project managers. Additionally, peer evaluations can prove to be constructive and contribute positively to the development of the employee. This article can be a practical aid for managers in a matrix organization that need to successfully and constructively evaluate employees, but are having difficulty doing so in an effective method.*

**Originality/value** – *Given the limited research with respect to evaluations within a matrix structure, this paper demonstrates an understanding of a subject that has not been adequately explored. The article demonstrated in “real time” the critical synthesis for PA and the matrix organization – an absence noted in the literature.*

**Keywords** *Performance appraisal, Matrix organizations, Performance management*

**Paper type** *Literature review*

## Performance evaluations/appraisals in a matrix organization

Part three of this article will examine performance evaluations in particular as they apply to the complexities of the matrix organization. Matrix management has become a standard within certain industries. As employees become cross-functional, it is necessary, in the name of competition, to take advantage of these resources whenever and wherever their value is maximized. As such, we need to realize that there is a need to effectively evaluate the contribution that an individual can make throughout the firm. Ultimately, we need to understand not necessarily how to evaluate, but who should evaluate an employee in a matrix environment. Employees need to be properly trained with the necessary skills and abilities. “This is particularly true for the matrix structure as it inherently creates a state of constant conflict with its multiple-boss model and simultaneous pursuit of multiple objectives” (Sy and Cote, 2004). This research raises an important point, if success hinges

on the development of the employees, and we accept that the employee evaluation plays an important role in development, an effective model needs to be established for complex matrix organizations.

With very little research focused on the subject, we will determine what tools can help a successful appraisal system, as well, establish under what conditions an appraisal system will fail in a matrix organization. Research strongly suggests that project personnel find there is a clear distinction between the position and responsibility of a project manager versus that of a functional manager (Dunne *et al.*, 1978).

According to Stanleigh (2006), there are some alarming statistics with respect to performance appraisals within a matrix organization. For example, 750 organizations around the globe participated in the research, and found that “68 percent of respondent organizations had no process in place for employee performance evaluation of team members. Only 36 percent had any reward or recognition for the project manager and 44 percent said they provide reward and recognition for project team members” (Stanleigh, 2006).

Based on the research, the most effective method by which to evaluate project personnel in a matrix organization is by means of a multi-rater system. In combining data from several sources, an effective, integrated and complete assessment of the individual’s strengths, weaknesses, and areas for improvement could be generated. This would provide a complete overview of an individual from an organizational standpoint, and avoid the weaknesses associated with an individual viewpoint (Farh *et al.*, 1988). This would support the notion that a multi rater system would be most effective in evaluating an employee in a matrix organization.

In interviewing and surveying 294 top and mid level management at seven multi-national corporations, Sy and D’Annunzio (2005) identified five main problems as well as challenges of a matrix organization:

- misaligned goals;
- unclear roles and responsibilities;
- ambiguous authority;
- lack of a matrix guardian; and
- silo focused employees.

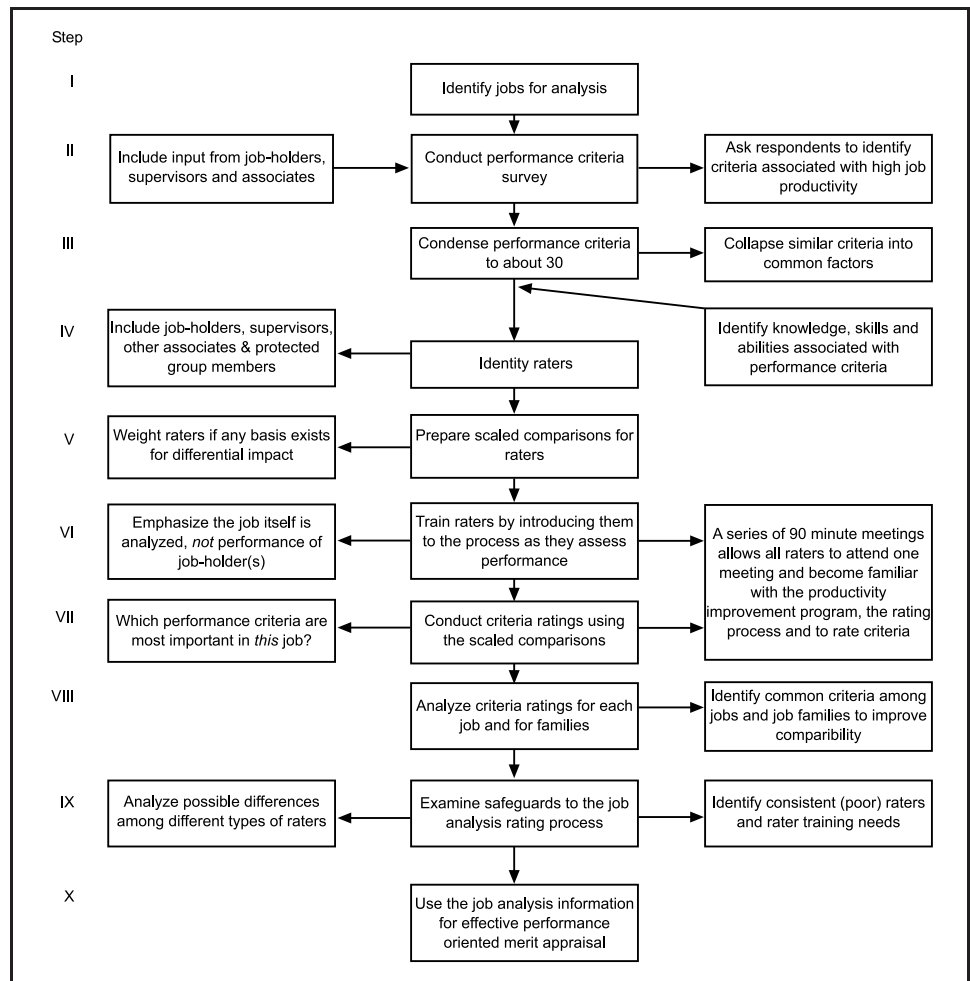
We can see that these major issues associated with a matrix type structure are all related to employee performance. We believe that with an effective employee evaluation system, these issues would be addressed and be closer to correction. This finding in the literature is consistent with the weaknesses that were observed in Exhibit 2 in part 1 of this series.

In surveying job holders, supervisors and employees for the criteria that played an important role in terms of productivity and success (in a research and development setting), approximately 30 criteria were established as illustrated in Figure 1 (Edwards and Sproull, 1988). In attempting to meet the needs of both a traditional and a matrix organizational structure, Edwards and Sproull (1988) established what they refer to as the team evaluation process:

We call the system a team evaluation, TE, process which supplements yet does not replace supervisory judgments within the management system (MS). The team’s measurement process combines information from multiple sources in determining an employee’s performance level. The

**“ Employees need to be properly trained with the necessary skills and abilities. ”**

**Figure 1** Job analysis for developing performance criteria in a matrix organization



emphasis here will be on TE, a multiple rater consensus process which is designed to overlay, and enhance rather than eliminate or change the existing supervisory evaluation system (MS) (Edwards and Sproull, 1988).

The research demonstrates a consistency in the opinions of the authors; a matrix organization requires a multi rater system in order to effectively evaluate its employees. This is supported in further research conducted by Mark Edwards (1991), where a system referred to as team evaluation and management system (TEAM) as “an excellent example of fairness and accuracy in performance evaluation”. This described in Figure 1. While it is important to clearly understand the “to dos” in implementing an effective appraisal system within a matrix organization, it is also important to understand what to avoid and what behaviors may lead to a failure of information that is made available by the system.

A project manager may develop a halo effect in determining the value of the performance of new teams as they relate to previous experiences (Jacobs and Kozlowski, 1985). Jacobs and Kozlowski (1985) also highlight that prior familiarity with certain personnel within a group could influence an appraisal. This is further supported by research whereby it was hypothesized that a prior relationship would affect the outcome of the appraisal. Judge and Ferris (1993) hypothesized and supported the following:

Hypothesis: a close supervisor-subordinate work relationship will positively influence a supervisor’s affect toward a subordinate.

Hypothesis: a supervisor's positive affect toward a subordinate has a positive effect on the supervisor's rating of the subordinate's performance.

Hypothesis: a supervisor's inference that a subordinate believes he or she has performed well will positively influence the evaluation of the subordinate's performance.

This demonstrates that prior camaraderie that may have been established between a project manager and project personnel, be it a positive or negative experience, will ultimately skew the objectivity of the results. This is not to say that it is not important to establish a rapport with the employees, (Anderson and Fleming, 1990) however, it does support the notion that it may be unwise to leave the evaluation in the hands of one person alone.

A cynical view of the rating system could potentially have negative acceptance of the results. If the employees that are being evaluated do not have faith in the system, they will likely have difficulty accepting the results (McCarthy and Garavan, 2007). While this study was geared towards managers, we are drawing parallels. It therefore important that evaluators have faith and promote the system that is in place. Based on CAE's experience, sometimes the performance evaluation process is viewed and treated as a task required by the HR department rather than an opportunity to develop and improve employee talent and capability. The result is employees who do not take their evaluation results seriously as their managers demonstrate a lack of interest in the process. Based on the above mentioned "not to do's", we can see that a multi-rater system addresses the concerns of a biased evaluation based on prior knowledge of the project personnel by the evaluator. This is also congruent with requirements of the matrix evaluation system.

An evaluation, being a tool used to help strengthen the employee, motivate him/her and build additional success with respect to their abilities, suggests that the more people in the process ultimately improves the process. However, a certain level of organization needs to be maintained in this scenario. A multi-rater system can be very valuable in terms of the amount of information it can provide about a person.

One of the inherent advantages of a multi-rater assessment lies in the ability to compare one's self awareness that can lead to an "unfreezing" process in which a manager is motivated to rethink his or her behavior and its impact on others (Maylett, 2005).

It should be noted that in CAE's experience multi-rater systems are more costly to integrate than the normal supervisor evaluation. It requires a larger/complex infrastructure and training, however, the benefit derived should outweigh the costs incurred and the organization should be able to greatly improve their evaluation process. All "bosses" who participate in managing the employee should be required to participate in the evaluation process. Kolodny (1979) maintains that both superiors in a "two-boss" system should be encouraged to contribute to the evaluation of an employee. It is also important that the functional manager be properly advised of the work done by his employees in the matrix organization. This would help remove some of the halo effect that may be fostered by the functional manager based on prior employee performance. It would also help the functional manager better understand the challenges, tasks and development of the employee.

The overall appraisal form should be directly linked to the specific job description of the employee in order to avoid a disconnect in expectations (Buford *et al.*, 1988). A common problem is the fact that goals and expectations are misaligned and this would need to be resolved in order to maximize the probability of a successful employee evaluation (Sy and D'Annunzio, 2005). As job descriptions can often be vague and less than specific in a matrix organization, (Kolodny, 1979) this could present additional difficulty in implementing. When an employee is expected to be versatile, it is difficult to specify a job description, as you do not want to limit the potential of the employee.

In maximizing employee satisfaction with respect to their job tasks and characteristics, it is important to appreciate and understand the factors that contribute to motivation:

Many employees are motivated far more by the desire to be held in esteem by their colleagues than to be held in esteem by their supervisors. Rather than attributing a poor appraisal to the

**“A common problem is the fact that goals and expectations are misaligned.”**

ignorance of their supervisors, employees typically view team evaluation feedback as highly credible and are substantially motivated to improve (Edwards, 1991).

## Conclusion

In defining a matrix organization as a company that operates with silos of employees that may be transferable from project to project over a period of time, an effective method of evaluation needs to be developed. As the success of an evaluation is reflected in the acceptance of its merit by the employee being evaluated, we can say that an evaluation must be fair and objective, and free from any preconceived notions. This is not a usual perception however.

We have therefore arrived at the conclusion that the most effective method by which to measure employee performance within a matrix organization would be by employing a multi-rater system. Taking into consideration the known pitfalls and risks in evaluating employees within a matrix organization, this type of system provides the organization with the most reliable method by which to evaluate its employees.

In reviewing the critical incidents at CAE as they relate to our research, we can see that several parallels exist. However, there are several areas of concern, such as the commitment of the managers with respect to the priority they place on performance evaluations and their usefulness in developing human capital within the company. CAE managers needed to be reminded of the role that employee evaluations play, and the weight that their attitude will carry towards the success of any chosen employee evaluation strategy. Additionally, they were urged to consider standardizing functional and project management roles in evaluations. As well, given the success in a limited number of test cases, it would appear that a multi-rater system such as a 360-degree evaluation has shown signs of success at CAE, confirming the research.

A multi-rater system can provide a matrix organization with reliable and consistent metrics with which to measure its employees, provided it is fair and objective. It will allow the organization, and specifically the managers, to understand employees' strengths and weaknesses as they are perceived by several sources. This can help provide valuable insight with respect to employee task assignment particularly in the complex matrix structure.. In this type of environment, the employee will understand clearly their areas for improvement, as well as their value within the organization as it is perceived by not only their superiors, but by their colleagues as well. The responsibility for the resulting evaluation and its consequences (positive or negative) can therefore be placed squarely on the shoulders of the employee in question, as the excuses that may exist in the case of a single evaluator (halo effect, lack of knowledge, etc.) may no longer be valid.

A final note to consider is the fact that the critical incident (the CAE mini case) presented in this article was intended to demonstrate in “real time” the critical synthesis for PA and the matrix organization – an absence noted in the literature. There are more recent references on project management and matrices as well as performance appraisal and performance management but the dyadic relationship is absent from the mainstream of studies and literature. The concepts and systems are cocentric and not contiguous and need to be studied in this systemic manner. As organizations assume an increasing flatter form and the reduction in hierarchical based management continues simultaneously, this type of evaluation and style of management will become more critical and in need of empirically based research . . . this is the challenge for the next wave of research.

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## Corresponding author

Steven H. Appelbaum can be contacted at: [shappel@jmsb.concordia.ca](mailto:shappel@jmsb.concordia.ca)

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