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Requisite Structure: A Guide to Aligning Strategy and Roles in Small and Medium-Sized Businesses

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It is well known that strategy and structure must be aligned if organizations are to effectively achieve their purpose and maximize market impact. Yet we observe that in many organizations, the annual strategic planning process fails to include organizational design elements that play an integral role in achieving corporate goals and objectives. This paper provides guidance and outlines a process based in Requisite Organization theory that we have used successfully with many of our clients to create structures, roles and accountabilities that support strategy.

“Trying to raise efficiency and morale without first setting the structure to rights is like trying to lay bricks without mortar. No amount of exhortation, attitudinal engineering, incentive planning, or even leadership will have any permanent effect unless we understand what hierarchy is and why and how it works.”

Elliott Jaques, “In Praise of Hierarchy,” *Harvard Business Review*



Introduction

It is well accepted that organization structure is a critical link to effective implementation of strategy. Surprisingly, however, this fact is often ignored or neglected by executives.

Consider that many organizations have a process to revisit and refine their strategic plans on an annual basis, yet very few follow up with a formal annual

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review of structure, roles, and evolving accountabilities to ensure continuous effective realignment of corporate resources to strategic objectives. Instead they move right into implementing their plans based on yesterday's organizational design needs. Executives that include an organizational design review as part of their strategic planning process are more likely to successfully achieve their strategic objectives. They are more likely to mitigate the risks of severe capital losses from strategic misalignment and failure to adapt to recent strategic advances, improvements in core competencies and innovation, and changing marketplace demands.

This paper puts forward a remedy to this problem by describing a relatively easy-to-follow methodology for small to medium-sized businesses that will help in "setting the structure to rights" along with supporting management theory grounded in the work of internationally renown social scientist Elliott Jaques (1917-2003).

Jaques (pronounced "Jacks") devoted his professional career to the development of an empirically-based and field-tested scientific system of principles and practices by which any company can and should structure and align their management systems to effectively execute their strategy, whatever it may be. He called his unified system "Requisite Organization" (RO).

"The aims of requisite organization are simple," he wrote. "They are to develop organization structures and organization processes which can provide for top-flight working and business effectiveness, in which:

1. People can rest secure in the knowledge that they can trust each other to work together in an honest and straightforward manner.
- 2.

They can use their personal capabilities to the full, both to their own personal satisfaction, and to contribute fully to the successful functioning of the organization" (Elliott Jaques, "The Aims of Requisite Organization," in *Requisite Organization*, Revised Second Edition Memorial, Cason Hall & Co., 2006. All references to *Requisite Organization* are to this edition. While there are some minor changes from the prior 1996 2nd Edition, the page references are the same.).

One important application of RO theory is that it can be used to guide the effective design of organizational structures to support strategy and thereby significantly increase management's ability to achieve its strategic business objectives. It is within this context that we will put RO theory to work.

In our strategy consulting and advisory practices at The Strategic Planning Group (<http://www.tspg-consulting.com>), my colleague and founding partner Dobri Stojsic and I have developed a simple yet effective framework for aligning structure to strategy that is consistent with and supports RO principles. We have been using this process successfully with numerous small to medium-sized companies and business units seeking assistance in restructuring to support their strategic plans for more than a decade. Our clients in this regard include a Las Vegas gaming manufacturer, a Canadian food manufacturer, the Canadian division of a global soft drink company, a professional sports organization, an advertising agency, and a number of business units within national and global financial services organizations.

Raising the Quality of Human Work Life Begins With Organization Structure



and associated allocation of resources required to achieve those goals, and describes *structure* as the design of the organization through which strategy is administered.¹ In every organization's efforts to achieve business results, strategy and structure are inexorably linked. (See **Exhibit A**: "Organizational Alignment Follows Strategy.")

Business strategy always sets the context for organization structure and the allocation and control of corporate resources. Organizational structure and role alignment must serve the purpose of the strategy and mission. As strategy evolves to meet changing marketplace conditions, an ongoing reassessment of structure is needed to ensure that it remains appropriate for achieving the ends sought. Sub-optimum structures result in sub-optimum efforts and sub-optimum results. Inappropriate organization structure can be a major catalyst for stifling human productivity, creativity, cooperation, and the natural enthusiasm individuals have to work at their maximum level of effectiveness and capability.

Organization Design Is Part Of The Strategic Planning Process

Because structure is such an important element of strategic success, it is necessary to have a process to follow that will align structure with strategy and guide the development of appropriate roles to set the stage for effective managerial leadership practices. Structure's purpose is to serve strategy and must be carefully designed to serve this end. Jaques provides some guidelines on how to proceed that will set the course for the direction that we will travel.

"The sequence (from top to bottom)," write Jaques and co-author Stephen D.

Clemet in *Executive Leadership*, "is from mission, to functional alignment and structure, to requisite managerial practices including sound selection, and finally on to managerial leadership.... The mission and vision determine the working functions that are required from the organization. It is these functions that must be distributed effectively through the organization not only at the right stratum but also properly aligned in relation to each other at each stratum and between strata.... Once mission and vision and the resulting functions are clear, it becomes possible to consider an appropriate organizational structure. Structure is critical for managerial leadership for two very fundamental reasons. First, the structure establishes the roles that determine the types and level of the people who will be needed. Second, it establishes the role relationships and thereby the working relationships between people.... It is necessary to have the right roles, and to have people with the necessary capability to carry out those roles.... Given a requisite structure, we have the necessary basis for establishing the requisite managerial practices" (*Executive Leadership*, Blackwell Business, 1994; P.p. 102-104).

Nine Steps To A Requisite Structure

While the steps in the process of creating a requisite organization structure may vary based on the context-specific needs of the company, a general outline consisting of nine steps can be summarized as follows:

Step 1: Develop/review corporate vision and mission statements, and strategic plan

Step 2: Identify best organizational structure option



Step 3: Create a “strategic overview” of each business function, including a ‘functional unit mission’

Step 4: Identify existing stratified organizational structure (‘manifest’ and ‘extant’ organization)

Step 5: Create a requisite organizational structure

Step 6: Define job roles/descriptions for the new structure

Step 7: Develop a transition plan

Step 8: Executive team refinement of requisite structure and role recommendations

Step 9: Begin implementation/transformation.

The efficacy of an existing organization structure will determine the extent of the effort required to create structural alignment. Some organizations will require considerable restructuring. Others may just need a tweak or two if their structure is already effectively aligned to strategy.

STEP 1: Vision and Mission Guide the CEO and Establish Strategic Context

The process of creating a requisite structure begins with the organization’s vision and mission statement. The vision and mission are an expression of the purpose and competitive stance of the organization.

Generally, a vision statement is an aspirational expression of a desired future state, of an over-arching future ambition to be pursued, which sets the context for the mission.

A mission is a more concrete operating statement that articulates the organization’s purpose in the context of its

current planning timeframe. The mission is therefore the primary operating objective towards which the organization’s strategies and plans should be focused and aimed, and often covers the most important aspects of what and how the organization will create value for customers.

If the organization’s resources and efforts are aimed at accomplishing the corporate mission, then that mission defines the current work of the CEO. The corporate mission is the CEO’s mission. It is what the CEO has been hired to accomplish. The business strategy is the path worked out to achieve the mission. The CEO is accountable to the owners to move the organization towards the achievement of the mission by means of the strategy, with the resources of the entire organization at his or her disposal.

It is a general rule of organization design that structure follows strategy. Strategy should set the context for and guide all resource allocation decisions and employee work. Strategy also sets the context for the application of all Requisite Organization work. It is key, therefore, to begin the process of organizational design with a clear understanding of the vision, mission and strategy of the organization, along with its competitive capabilities and constraints. In the organizational design process, the mission serves as a placeholder for the entire business strategy.

STEP 2: Develop an Organization Structure to Support the Strategy

The CEO has the responsibility for organizing and overseeing the use of resources to achieve the corporate mission. This is managed in part by creating a viable organization structure consisting of business ‘functions’ (such as Marketing, Finance,



Human Resources) around which similar types of tasks are grouped and aligned.² Each of these functions must play an identified and accountable role in serving the business mission.

Once a decision has been made regarding the strategic direction of the business (vision and mission) and executive agreement is obtained about a viable road map to get there (business strategy), the appropriate organizational structure for the business must be given careful consideration. How the business is structured and designed can make a significant difference in the effectiveness and cost structure of the business as the mission is pursued, and hence management's ability to compete effectively at winning profitable sales.

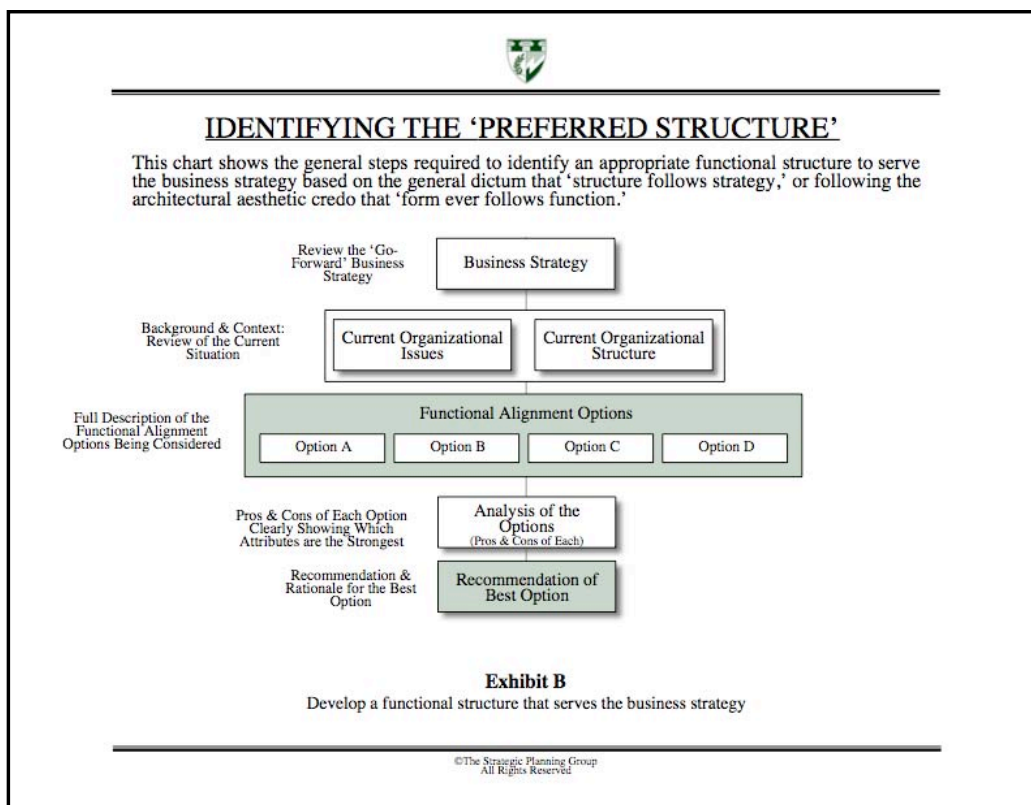
One way to identify and assess appropriate organization designs is to develop an 'Options Paper' that considers different

design alternatives and identifies the pros and cons of each. Once the options are laid out, they can be carefully considered and a decision made as to which structure best serves the interests of the business and the ability of its managers to create and deliver value to customers. (See **Exhibit B**: "Identifying the 'Preferred Structure'.")³

STEP 3: Develop a Mission and Overview for Each *Functional Business Unit*

To define the role of each function (identified in Step 2) in serving the corporate mission, we advocate the creation of 'functional mission statements'.

Just as the organization has a corporate mission statement to guide the work to be done, the development of a requisite structure requires the creation of a similar "mission" statement for each major function deemed necessary to execute the business





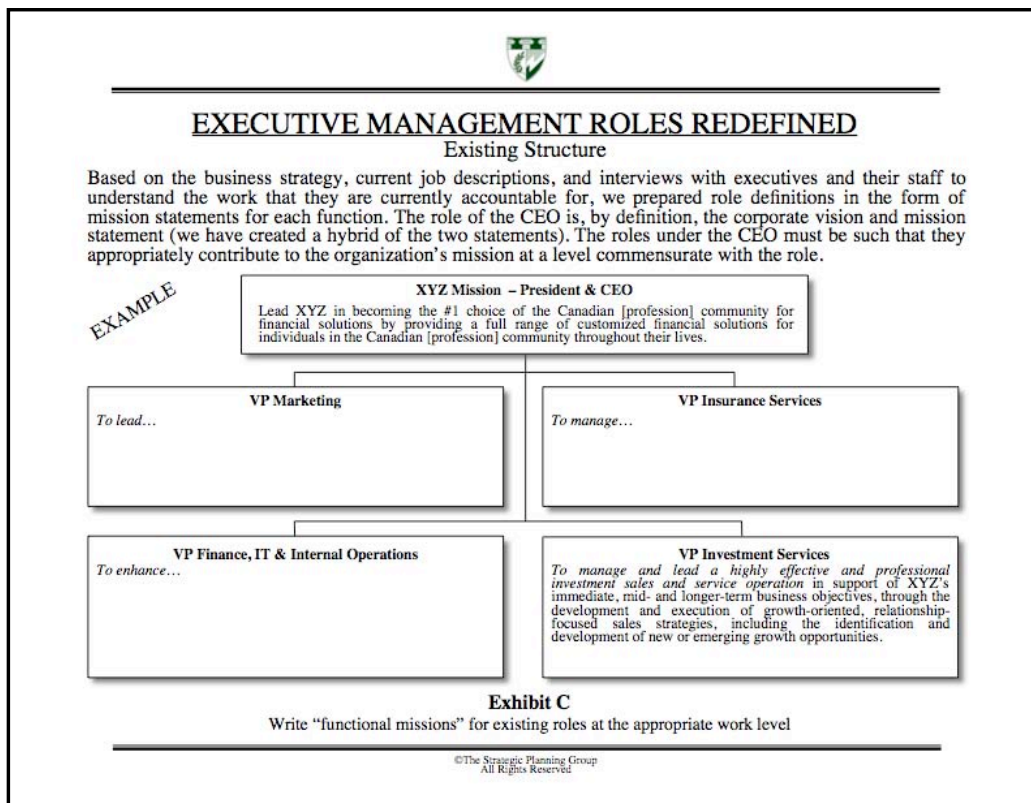
strategy and accomplish the corporate mission. For example, if it is determined that the organization requires the five functional areas of sales, marketing, technology, human resources and finance, then functional mission statements that describe each function's general purpose and accountabilities, *at the appropriate work level*, must be developed and written.⁴

The functional mission statement is part of a "functional framework" that identifies and defines key elements of that function, including the functional unit *mission, critical success factors, key responsibilities and accountabilities, key roles* within the function, and *key relationships* with others internally and externally. There are other optional details that can be added, but for most small or medium-sized organizations, this type of thinking model is sufficient to generate

serious discussion amongst the executive team on some key business issues around the work required within each function to support the corporate mission.

While each functional framework has to be considered individually to ensure that it encompasses the key requirements of the function, they also have to be looked at together to ensure that the key requirements to carry out the corporate strategy have been identified and assigned to an appropriate function.

Once a "functional framework" has been developed for each key function of the chosen requisite structure, a functional mission statement – or role definition – will exist for each. The functional mission statement defines the work of that functional leader, just as the corporate mission statement defines the work of the CEO. By extracting each statement and collecting them on one





page, a set of mission statements for the executive team is created – a set of statements that as a totality articulate the key strategic and high-level business priorities and identify the role to which accountability resides for accomplishing the functional mission.

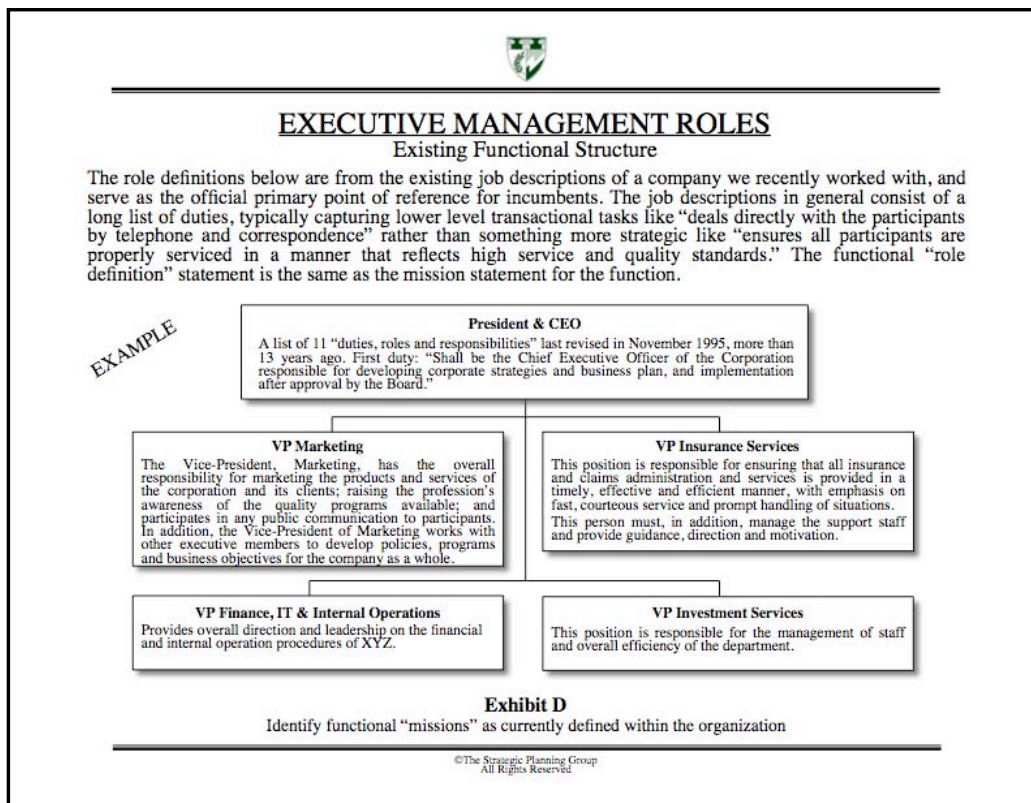
Exhibit C, “Executive Management Roles Redefined: Existing Structure” is an example of what functional missions sound like. The functional mission statement example shown in Exhibit C describes a level of capability that the incumbent of that function is expected to exhibit and outcomes that he or she is expected to accomplish. The *strategy* requires this level of managerial capability within the business functions if there is to be any chance of it being implemented successfully.

It is important to make sure that structure is aligned with strategy *and* that the functional accountabilities that are defined

and created are appropriate for the *level of work* required in the role.

The development of functional frameworks like that shown in Exhibit C help to clarify and redefine the level of work and committed engagement expected and required by the CEO of his direct reports going forward. It also helps the management team understand how the CEO intends to carry out his work to meet the expectations of the board of directors and the level of work he is expecting his staff to be accountable for when managing the business. In some instances the felt weight of these new or revised roles can be much heavier than they were prior to this exercise (see **Exhibit D**: Executive Management Roles: Existing Functional Structure).

Consider, for example, that the existing statement of the responsibilities of the Vice President Investment Services in the





example shown in Exhibit D is for the “management of staff and the overall efficiency of the department.” Along with this statement in the corporate job description is a long list of specific concrete responsibilities and tasks, from ensuring effective administration of customer accounts and investment programs, to dealing with auditors and attending industry conventions and shows when required. As currently stated, the requirements of the role aren’t very dynamic or complex. In relation to most major corporations, the accountabilities described are more typical of an administrative staff role than a customer-facing sales and service role focused on business growth. As currently defined, the role may be considered light relative to the weight of responsibility and brain power one would hope a CEO expects from vice-president talent.

The newly written functional mission statement in Exhibit C provides the Vice President Investment Services with a more exciting challenge and much loftier accountabilities, namely, “to manage and lead a highly effective and professional investment sales and service operation in support of... [the] business objectives, through the development and execution of growth-oriented, relationship-focused sales strategies, including the identification and development of new or emerging growth opportunities.”

In this example where the existing description of the role is all about managing a department effectively and is primarily internally focused, the redefined role is about reaching out beyond the corporate walls to support and grow a business. This functional mission is a better articulation of the work that needs to be done by the Vice President Investment Services to support the CEO’s ambitions for the business, his commitment to

the board of directors, and the work that he will delegate to the VP Investment Services.

The Virtuous Benefits of Requisite Hierarchy

In Step 3 we looked at the alignment and accountabilities of each function and considered them as a single integrated entity. With Step 4 we begin the process of defining the appropriate alignment *within* each function. To understand this process, however, requires some background on Elliott Jaques’ findings regarding hierarchy, which forms the backbone of Requisite Organization theory.

Almost all companies with more than a handful of workers are organized into a hierarchy of reporting relationships that are mapped on organization charts. These organization charts show the formal reporting and authority relationships among roles and the role that incumbents occupy within the company. Hierarchies are developed as the best means to manage the complexities of human cooperation and to effectively allocate resources to get work done. They work because they divide large tasks into smaller parts and assign accountability based on different levels of capability.⁵

“The reason we have a hierarchical organization of work,” writes Jaques, “is not only that tasks occur in lower and higher degrees of complexity – which is obvious – but also that there are sharp discontinuities in complexity that separate tasks into a series of steps or categories – which is not so obvious. The same discontinuities occur with respect to mental work and to the breadth and duration of accountability. The hierarchical kind of organization...is the only form of organization that can enable a company to employ large numbers of people and yet



preserve unambiguous accountability for the work they do” (Jaques, “In Praise of Hierarchy,” *Harvard Business Review*, Jan/Feb 1990).

Jaques’ research convinced him that “managerial hierarchy is the most efficient, the hardest, and in fact the most natural structure ever devised for large organizations.... [When properly structured] hierarchy can release energy and creativity, rationalize productivity, and actually improve morale” (Jaques, “In Praise of Hierarchy,” *Harvard Business Review*).

So why then do managerial hierarchies have a bad reputation? Because they are badly designed, says Jaques, based on inappropriate concepts of human psychology and the nature of work. For example, notes Jaques, employment systems contract people as individuals who are given work and exercise their capabilities to produce outcomes for which they are held accountable as individuals. When managers ignore individuals and concentrate on groups – group authority, group decisions, group accountability – they attempt to override the fundamental nature of the employment contract. An employment contract holds an *individual* accountable for doing work of a given type for a specified period of time in exchange for payment.

The requirement of individual accountability as a defining characteristic of employment is central to creating effective, workable, hierarchies. “If we are to make our hierarchies function properly,” writes Jaques, “it is essential to place the emphasis on *accountability for getting work done*. This is what hierarchical systems ought to be about. Authority is a secondary issue and flows from accountability in the sense that there should

be just that amount of authority needed to discharge the accountability” (“In Praise of Hierarchy,” *Harvard Business Review*).

Jaques observed that managerial hierarchy is the expression of two fundamental characteristics of “real work.” The first has to do with the complexity of the work that individuals are required to carry out in their roles; the second with the corresponding complexity of the mental work that people do on the job. The first has to do with defining the structural relationships within the hierarchy; the second with the capability of the person to do the work required at the appropriate level. As a result, hierarchy can be used to meet four of any organization’s fundamental needs: “to add real value to work as it moves through the organization, to identify and nail down accountability at each stage of the value-adding process, to place people with the necessary competence at each organizational layer, and to build a general consensus and acceptance of the managerial structure that achieves these ends” (“In Praise Of Hierarchy,” *HBR*).

For Jaques, hierarchy isn’t just about identifying reporting relationships. He says there are objective criteria that exist to determine the work that must be done at each level in the hierarchy, based on a measurement of the complexity of the work to be done. Also, the person hired to do the work must possess the appropriate cognitive ability to do work at that level of complexity. Jaques makes the case that he has identified where the “discontinuities” occur that separate the “continuum of complexity from the bottom of the organization to the top” (“In Praise Of Hierarchy, *Harvard Business Review*). These have to do with *responsibility* and *time*. The details of Jaques’ discovery are



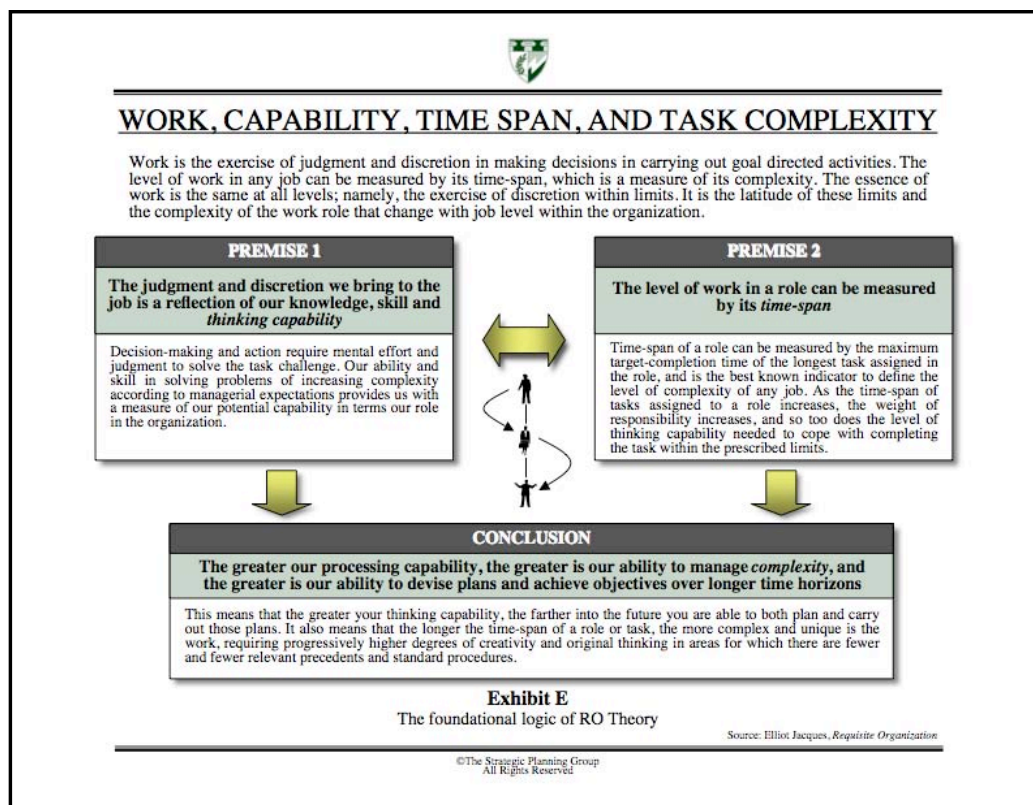
reported in “In Praise of Hierarchy,” as well as *Requisite Organization, Managerial Leadership*, and *Human Capability* (Elliott Jaques and Kathryn Cason, Cason Hall & Co., 1994).

The basic principles of his discovery necessary to understand the remaining steps in developing a requisite organization structure for small to medium-sized businesses are briefly as follows.

1. The level of responsibility in a work role can be objectively measured in terms of *time* allocated by a manager to a subordinate to complete the *longest* task in the role (what Jaques calls “time span of discretion”). The more distant the target completion date of the longest task or program, the heavier the weight of responsibility is felt to be (Jaques calls this the “responsibility time span of the role”).

(See Exhibit E: Work, Capability, Time Span, and Task Complexity.)

In his 1979 *Harvard Business Review* article “Taking Time Seriously in Evaluating Jobs,” Jaques puts forward three fundamental propositions in support of using time as an objective method of job measurement: “1. *Every concrete task that someone is required to do has a target completion time....* If tasks did not have completion times, no manager could control the working activity of his subordinates, nor would he have even a vague sense whether a specific employee was performing well. The work system would become uncoordinated and would fail as a system.... 2. *The higher a person goes in an executive system, the longer is the time framework within which he or she works....* 3. *A job’s size can be*





directly and simply measured by completion times targeted for the longest tasks that are required to be carried out in that role, namely the time span of discretion” (“Taking Time Seriously In Evaluating Jobs,” *Harvard Business Review*, Sept/Oct, 1979, p. 129; italics in original). (See **Exhibit E**: Mental Processing, Capability and Time-Horizon.)

2. Over decades of research across countries and cultures, it was found that people in roles that have the same time-spans experience the same weight of responsibility and declare the same level of pay to be fair, regardless of their occupation or actual pay.
3. The boundaries between successive managerial layers occur at certain specific time-span increments, which almost everyone in the hierarchy, regardless of status, seems to be able to identify, suggesting to Jaques “that the boundaries reflect some universal truth about human nature” (“In Praise of Hierarchy,” *Harvard Business Review*, Jan/Feb 1990).
4. The boundaries in time-span that Jaques identifies as defining hierarchical levels, or strata, are: three months, 1 year, 2 years, 5 years, 10 years, and 20 years (see “Taking Time Seriously In Evaluating Jobs,” *Harvard Business Review*). One important and related finding of Jaques research is that employees only recognize the legitimacy of reporting relationships where the reporting occurs *across* the identified strata. Because the strata are based on higher levels of problem solving abilities, and

usually corresponding higher levels of skill, experience, maturity, and wisdom, workers are able to identify those people who are operating at a higher cognitive level and with greater mental process ability than they themselves possess. They are able to accept leadership and direction from managers working at a “higher level” because such people are able to provide a larger world-view and a perspective greater than that of the person operating at a lower level of cognitive processing. Likewise, it is difficult to accept a person of perceived cognitive equality as a valid authority figure in the workplace because that authority appears to be arbitrary, and not based on a perceived greater overall capability to add value to the subordinate’s work and personal success. Direct experience and observation will bear this out.

This framework of strata (or work levels) provides direction for developing a hierarchy of work assigned to the right level based on time-span of the role, and ensures the correct assignment of reporting relationships to the appropriate strata. It is imperative that organizational structure design follows the principle that subordinates must only report to managers that are at least one stratum higher in the hierarchy. It is thus, writes Jaques, that “the time span of discretion gives us a basic measure for effective organizational design” (“Taking Time Seriously In Evaluating Jobs,” *Harvard Business Review*, p. 129). (See **Exhibit F**: Time-Span and Regular Structure of Management Levels.)

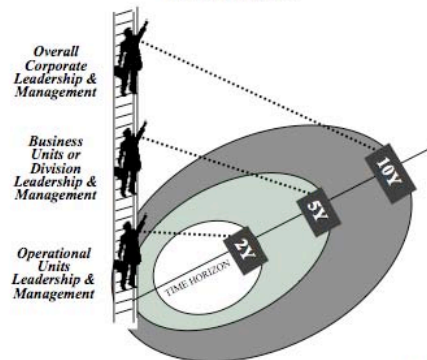
Jaques summarizes his conclusions regarding the *method* of requisite hierarchy:



MENTAL PROCESSING, CAPABILITY AND TIME-HORIZON

Research indicates that the level of work in a role can generally be measured by the length of time it takes to complete the task, i.e., by its time-span. It is an important principle of hierarchical organizations that payment should be directly related to the level of work done. The problem encountered by managers and HR specialists is to define a yardstick for measuring level of work that goes beyond subjective or intuitive judgment, so that work can be compared objectively and pay assigned in what is perceived to be a fair and just manner, commensurate with the size of the job. The objective yardstick, says Jaques, is time-span measurement.

ORGANIZATIONAL HIERARCHY SHOULD CORRESPOND TO TIME-HORIZON



- The level of work in a role can be measured by its *time-span*
- The longer the time-span of a role, the higher the level of *complexity* in the work
- The greater your capability to manage complexity, the greater your working *outreach* in time, i.e., the greater your *time-horizon*
- The greater your time-horizon, the farther into the future you can plan, and carry those plans through to realization, i.e., the greater the *size of the job*

The ability of an employee to work into the future is his or her **Time-horizon**. Time-horizon pertains to one's ability not only to think and talk about the future, but to actually deal with, forecast and control by doing things on a scale with which they can feel comfortable. Time-horizon is the size of the work role we are capable of inhabiting.

Exhibit F

Time-horizon defines organization hierarchy

Source: Elliott Jaques, *Requisite Organization*

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“My experience with organizations of all kinds in many different countries has convinced me that effective value-adding managerial leadership of subordinates can come only from an individual one category higher in cognitive capacity, working one category higher in cognitive complexity. By contrast, wherever managers and subordinates are in the same layer – separated only by pay grade – subordinates see the boss as too close, breathing down their necks, and they identify their “real” boss as the next manager at a genuinely higher level of cognitive and task complexity” (“In Praise Of Hierarchy,” *Harvard Business Review*).

He also summarizes his conclusions about the *need* for requisite managerial hierarchy: “Managerial hierarchy or layering is the only effective organizational form for deploying people and tasks at complementary levels, where people can do the tasks assigned

to them, where the people in any given layer can add value to the work of those in the layer below them, and finally, where this stratification of management strikes everyone as necessary and welcome” (“In Praise Of Hierarchy,” *Harvard Business Review*).

This sketch of Jaques theory of requisite structure outlines both the fundamental rationale and methodology for creating a requisite organization structure that will be used below in Steps 4, 5 and 6.

Step 4: Identify the Existing Stratified Organizational Structure

A major step in creating a requisite structure is the analysis and mapping of the existing organization. This is done by means of making a time span measurement of each role and using that to convert the existing organization chart into a stratified organization chart (like that shown in Exhibit F).



The process begins with a review of the existing organization chart (see **Exhibit G: Reporting Structure Example: Merchandising**). Based on interviews with role incumbents and their manager, an attempt is made to determine the time span of each role by following Jaques' methodology. Following this process the existing reporting structure is redrawn as a stratified organization chart (see **Exhibit H**).⁶

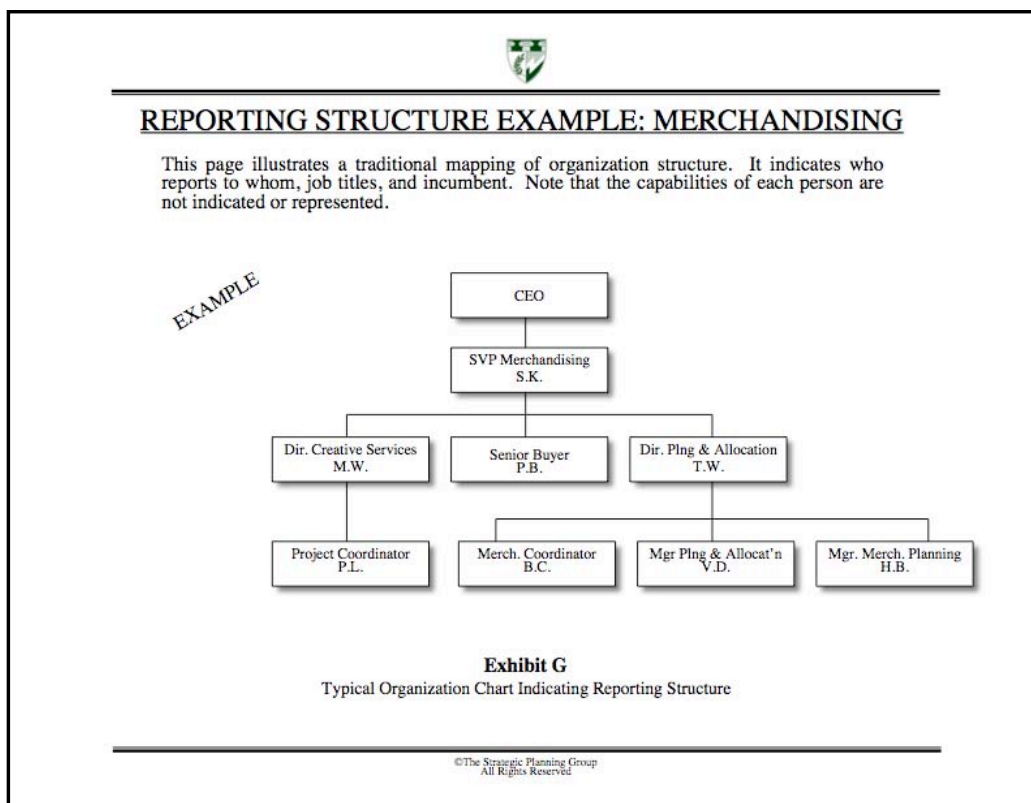
Jaques, in *Requisite Organization* (page pair 39), outlines the general process for the measurement of time-span as follows:

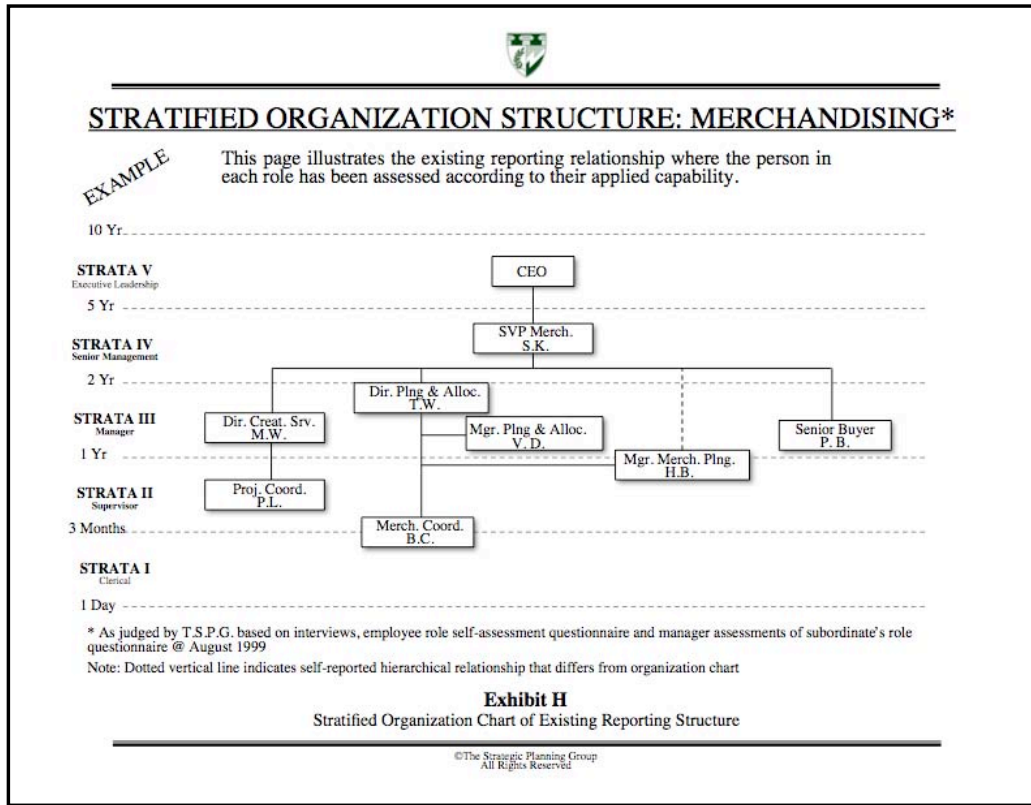
1. Interview the immediate manager of the person in the role you are measuring to explore the actual tasks that the manager is assigning to the subordinate in an attempt to find those tasks or task sequences with the longest target completion time.

2. Where possible, interview the subordinate to get his or her perspective on the assigned tasks. Any discrepancies should be used to further clarify the subordinate's role.

3. When a time-span measurement has been determined, check with the manager's manager (manager-once-removed) to ensure that the tasks assigned are "legitimate" and within the limits set by the intermediate manager.

The key to expediting the time-span measurement process for small to medium-sized businesses is to shift the emphasis away from time-intensive interviews and negotiations between managers, subordinates, and managers-once-removed, for every role throughout the organization. To this end, we adopted Jaques' concepts of the interrelationship between current applied capability, time-span, and level of work to





develop a questionnaire which managers and their subordinates are asked to complete. We interview all staff who are managers or higher, and conduct group interviews with front-line and supervisory staff, to learn about the work they do and the nature of instruction, training, guidance, communications, coaching and mentoring, and communications that they receive from those in the hierarchy above them. We also review existing job descriptions.

In addition, we utilize two questionnaires: a "Role Self-assessment" questionnaire that is completed by all staff, and a corresponding "Managerial Assessment of Direct Reports" questionnaire that is completed by managers for each of their direct subordinates. Together these two questionnaires give us two sources of input for every employee except the CEO, for which we have only their self-assessment.

Each questionnaire contains a number of job attribute statements extracted from Jaques' observations of the attributes of work at each stratum.⁷

In the Role Self-assessment survey, each employee is asked to review the list of attributes and select five or six that best describe their current job accountabilities. Similar instructions are provided to managers assessing their subordinates. Managers are asked to complete assessments for their subordinates based on the existing corporate organization structure (what Jaques calls the 'Manifest Organization', see *Requisite Organization*, page pair 33). (See **Exhibit I: Assessing Attributes of Existing Roles.**)

When both surveys are completed for an individual employee, the two responses are reviewed to determine each employee's perception of their own work level based on the work they do, and the perception of the

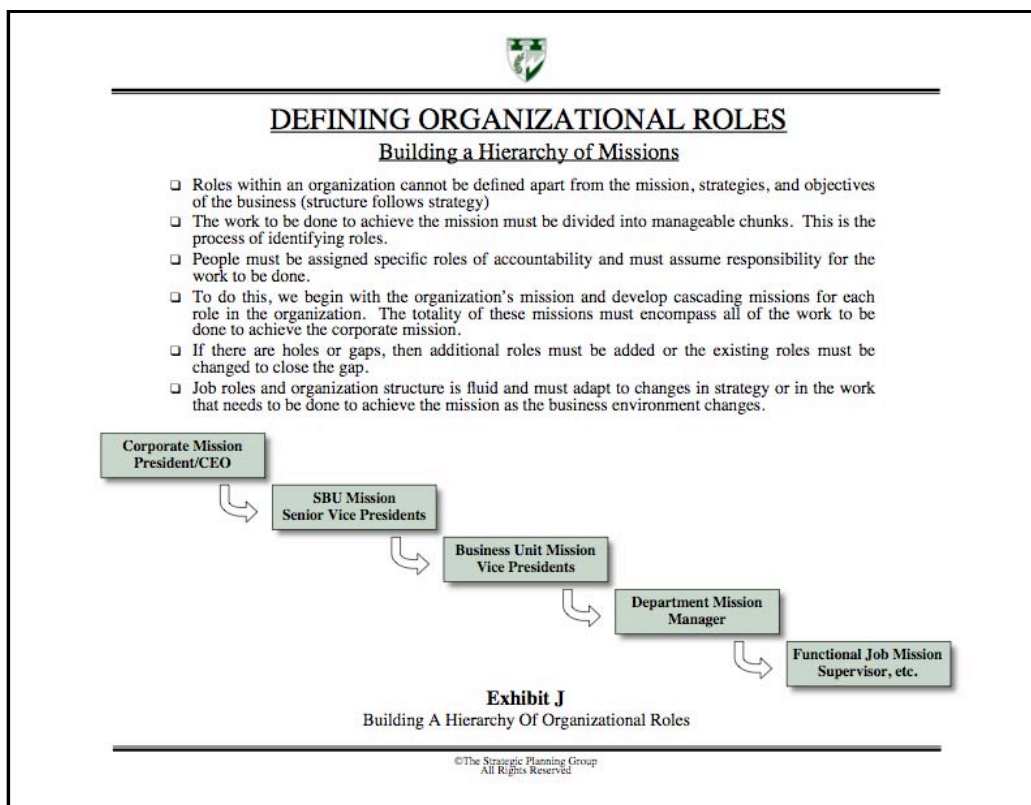


from employees and their managers from the bottom of the organization to the top. What's required next is the creation of a stratified requisite structure based on the best organization option to serve the mission and strategy that we identified in Step 2.

Step 5: Create a Strategically Aligned Requisitely Stratified Organizational Structure

As a result of the work done in the previous steps, we are now ready to identify the roles required for the revised organization structure, on a stratified basis. This step consists of combining knowledge about the corporate mission and business strategy, functional mission statements and existing roles, and applying knowledge of Requisite Organization design principles, to create stratified organization charts for the most viable design option identified in Step 2.

The place to start is with the “functional frameworks” we developed in Step 3. The functional frameworks were developed to help understand and articulate the requirements of each major organization function in its support of the business mission and strategy. The organizational design work now consists of thinking through the roles that would be required within each function in a cascading hierarchy to achieve the mission. It is also helpful to look at the current organizational design that was created in Step 4, and to identify the changes and adjustments required to transform from the current structure to the identified improved structure, i.e., to go through a gap analysis exercise from the current structure to the requisite structure. (See **Exhibit J: Defining Organization Roles: Building A Hierarchy of Missions.**)





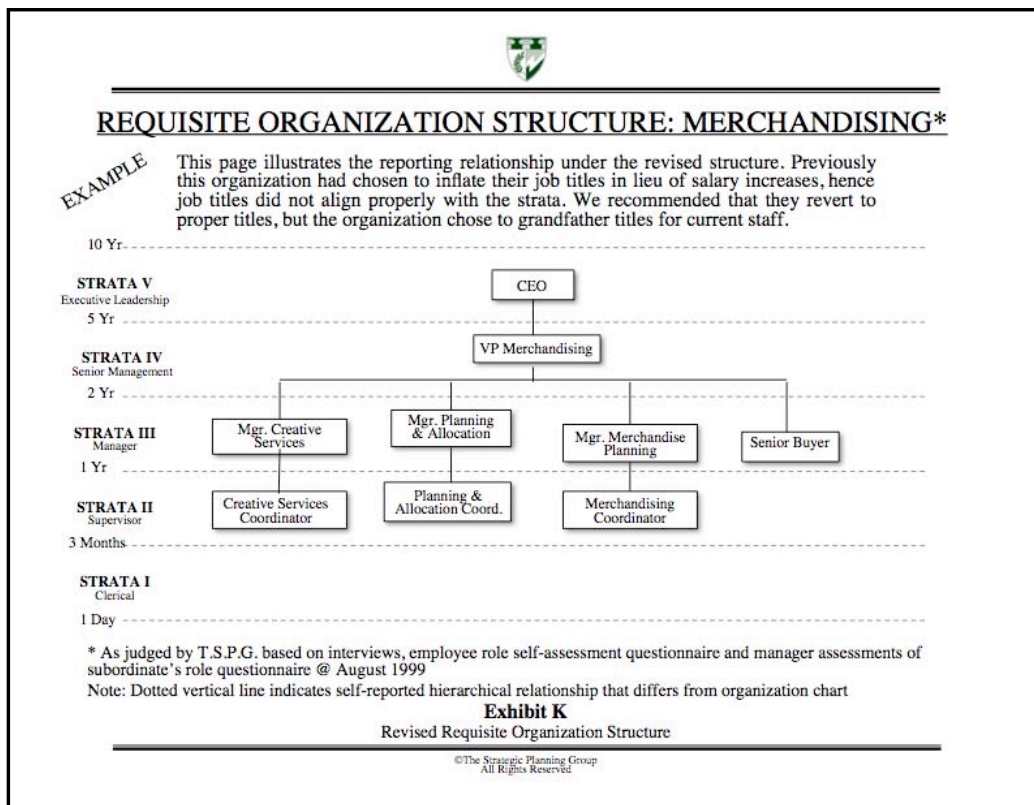
It is not necessary that the requisite structure we create be perfect.⁸ Rather, we are creating a draft design that the executive team and management will review and refine. The key is to think logically about the work that needs to be done in terms of roles, responsibilities and accountabilities, the hierarchical level or stratum appropriate for the work required based on the likely time-span of the role, and the appropriate reporting relationships, keeping in mind the principle that employees must report to someone at least one stratum higher, that is, to “an individual one category higher in cognitive capacity, working one category higher in problem complexity” (Jaques, “In Praise of Hierarchy,” *Harvard Business Review*).⁹

At this point, the focus is on creating the appropriate organizational design and roles to support the strategy. The task is *not* to begin with the existing staff and to find

appropriate roles for each of them. It may be the case that the current incumbent is unsuitable for the new role, or a role is eliminated because the work is deemed to no longer add sufficient economic value to the business output (perhaps it is to be outsourced), or a new role is created offering a new workplace opportunity. (See **Exhibit K: Requisite Organization Structure: Merchandising**.)

Step 6: Define Job Roles/Descriptions For The New Structure

Each role identified in the organization structure requires a job or role description. There are no universal standard formats for job descriptions, so you need to find or create a format that you like. At minimum, the key is to create a document that identifies the key responsibilities and accountabilities of each role in a way that captures the size or weight of the role. (e.g.,





accountabilities like “increase product awareness and sales among targeted customers” are preferable to activities like “attend campaign development meetings with agency”). Jaques shows an example of his version of a role description using what he calls a “Role Specification Form” on page pair 113 in *Requisite Organization*. It consists of the role title, department, date, time-span, stratum, a general description of the role, a list of major functions, and the identification of key working relationships, including manager, manager-once-removed, immediate subordinates, and what in RO theory is called “Task Initiating Role Relationships” (TIRRs).

Creating job descriptions for each role is a time consuming intellectual process that requires thinking through the work that needs to be done by each organization function and at each organizational level, and how that work is interconnected in the value creation process. The most logical way to do this is to proceed hierarchically, from top to bottom, by organizational function, following the preferred organization structure identified in Step 2.

The task is somewhat simplified by the fact that many roles at the same stratum do many similar tasks with similar responsibilities, even though they are in different functions. While the details of every job are unique, as are the problems to be solved and the means for solving them, the description of the responsibilities at a high level are often very similar. For example, vice presidents are usually responsible for such things as developing strategies, allocating and managing resources to achieve business objectives, creating policies and processes, nurturing and enhancing external relationships, building a motivated team, etc. The mission, strategy, business objectives,

key performance indicators, market and competitive conditions, regulatory and capital constraints, and a host of other variables set the context for the types of solutions required and the specific work to be done, which are recorded and detailed in management papers, business cases and project plans. Because all work requires thinking and judgment to overcome obstacles in pursuit of desired ends, at best role descriptions can delineate boundaries of action; they are not meant to be detailed, step-by-step job manuals.

Step 7: Develop a Transition Plan

A plan to transition the organization from its current state to the new structure should be thought through and developed before the new organizational design is shared with staff. The transition process will be different for every organization depending on such things as company size, management structure, and the existing corporate culture. In a privately owned firm the owner may just assign new roles to each of the staff and discuss the changes with them, while at another company the president may require approval from the board before proceeding. In some firms the president will lead with an autocratic style where another may have a more inclusive style, etc.

Regardless of individual variables, potential obstacles must be anticipated and planned for. There are likely to be human resource issues that must be considered, including changes in roles and responsibilities, finding qualified people for newly developed roles, and perhaps the removal of staff with skills that the firm no longer requires or who do not possess the capability (or are over-qualified) to work at the cognitive level now required.



The creation of a transition plan at this stage, before going to staff, makes the transition plan part of the design and management discussion, thereby anticipating many of the questions or concerns that staff will raise about the process of transition. Having a transition plan early also preempts a scramble later to create one, and demonstrates thoughtful control over the situation that employees will appreciate.

Step 8: Executive Team Refinement of Requisite Structure and Role Recommendations

At this point all of the details of the new structure are now complete in draft form. What hasn't been addressed yet is the formal assignment of people to specific roles, even though one can't help but mentally fill the roles with existing staff as one goes through the process. By this point you will have a good idea of which staff are suitable for which roles, and where talent weaknesses or gaps are likely to exist.

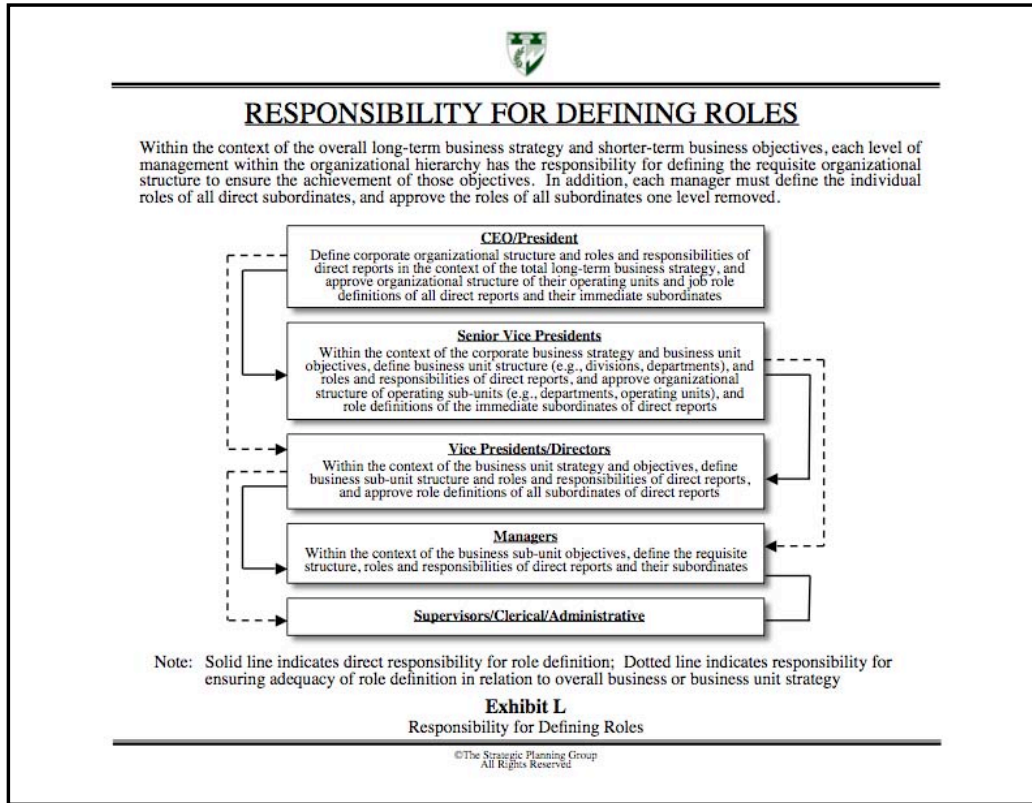
Because of the sensitive nature of structure and role recommendations and the anxiety that proposed role changes can create throughout an organization, it is important for management to maintain confidentiality and tight control over communications about the revised alignment of structure and roles throughout the refinement and approval process.

The process for reviewing and refining the revised structure must follow the requisite principles of hierarchical layering. Hierarchy is mankind's natural way of organizing human cognitive capability to do complex work in pursuit of desired ends. It works when it is understood and organized properly because it *"is a reflection in organizational life of discontinuous steps in*

the nature of human capability" (Requisite Organization, Page Pair 1; italics in original).

It is not appropriate in managerial hierarchies for workers to define their own roles and accountabilities. They are hired as employees to carry out specific work on behalf of the organization in return for wages. "To be employed," notes Jaques, "is to have an ongoing contract that holds you accountable for doing work of a given type for a specified number of hours per week in exchange for payment. Your specific tasks within that given work are assigned to you by a person called your manager (or boss or supervisor), who *ought to be held accountable* for the work you do" (Jaques, "In Praise of Hierarchy"). Because of this accountability hierarchy cascading vertically through the organization, managers must have certain authorities to ensure that their subordinates can do the work assigned to them, including the authority to approve/remove direct reports where warranted and the authority to decide types of work assignments and assign specific tasks.¹⁰

It is thus that there is a cascading of accountability for achieving results from owners to board of directors to CEO, and down through the management layers to the frontline and administrative staff, with each level down to manager responsible for defining and delegating the work of the next level below with the approval of the level above (see **Exhibit L: Responsibility For Defining Roles**). The principle is that managers define the work they require of subordinates with the approval of the manager-once-removed. The vetting of the role descriptions therefore must begin with the CEO reviewing the roles of his or her direct reports and making appropriate adjustments to ensure that the CEO is able to



carry out his responsibilities to the board of directors and/or owners.

Once the CEO has approved the roles of his direct reports he must engage them in a discussion as an executive team or individually about the appropriateness of the accountabilities of each, and make adjustments in the interests of creating strategic alignment for the firm. This process cascades downward through the organization with the CEO's direct reports reviewing the role descriptions of their direct reports under the new structure, meeting with them, and making appropriate adjustments to their roles. These subordinate-once-removed roles must be presented back up to the CEO for approval given that the CEO is ultimately accountable for the work that is being done. This three-tiered mutual recognition unit (MRU) concept cascades downwards to ensure accountability in the alignment of roles to the corporate

mission, business strategy, and business unit objectives.

At the end of this process there should be clear alignment between strategy and structure based on sound requisite organizational design principles. The right roles will exist at the right levels with the right accountabilities identified. The CEO and management team will have been introduced to a highly practical and effective managerial leadership system that they can investigate further and begin to adopt over time should they choose to do so.

Step 9: Begin Implementation/Transformation

Once the business mission, strategy, and new organizational alignment is understood by all staff, and the transition plan has been revised, it's time to begin implementing the organizational design



changes in a highly controlled fashion, with the senior functional leaders responsible for managing the changes in their areas.¹¹ Depending on the scope of changes required and the degree to which existing management practices align with requisite organization practices, implementation can be simple or complex, and must be managed accordingly, using good project management discipline.

Conclusion

Beyond implementing the alignment of structure to strategy, there is another aspect of transformation that is important, namely the ongoing conversion of the organization's management practices to bring them into alignment with the scientific management principles and practices of Requisite Organization. The principles of organizational structure and design that Jaques identified and studied are only one aspect of a larger managerial leadership system of immense power and practicality.

Jaques' focus on creating humanistic managerial systems for profit-seeking businesses in a free-enterprise system, and on "doing so in such a way as to make it possible for people to work with full exercise of their capabilities," combined with his empirical methodology of discovery, testing, and refinement over a time period of more than fifty-five years as a researcher and consultant, gives his system a weight of integrated practicality that is unique in the "science" of business management. As such, he concludes of his work, "[t]he achievement of requisite organization is thus not only an executive accountability but a moral leadership duty" (*Requisite Organization*, page pair 6).

In Jaques' body of work, he identifies and elaborates on five key elements of his

system, many of which we've incorporated in our development of a requisite structure:

1. An array of concepts and principles connected with the human nature of people at work;
2. The required functions of management accountability hierarchies and organizational alignment;
3. Organizational structuring of the aligned functions including roles, accountabilities, tasks and authorities to get work done;
4. A universal structure of equitable differential compensation related to differentials in level of work; and
5. A wide range of managerial leadership practices to enhance creativity, productive effectiveness, human satisfaction and morale (*Requisite Organization*, Page Pair 6).

Because these are all components of a whole system, says Jaques, "wherever you start will show up the need for further requisite changes, and you will end up implementing the whole, or else end up with manifest and bothersome loose ends" (*Requisite Organization*, Page Pair 130). Certainly there is no inevitability that this will be the case, but if the concepts discussed herein to create a requisite structure of stratified accountabilities makes sense and correspond to your perceptions of the way things work in reality, then further exploration of Jaques' management theories and their application for wealth creation is warranted.



Endnotes

1 (Wikipedia, http://en.wikipedia.org/wiki/Structure_follows_strategy).

2 Jaques defines *function* as “a particular kind of work (a cluster of accountabilities) to be discharged in the form of outputs to be achieved by carrying out specific processes” (*Requisite Organization*, Page Pair 43).

3 Jaques does not specifically provide guidelines on how to align structure with strategy, although he does identify five major functions: Mainstream Operational Functions (includes product development, procurement, production, distribution, sales and service, and marketing), Specialist Support Staff (support for operational managers including finance, work flow, human resources, technology, legal support, and public affairs), Controller, Auditing, and Service Giving (centralized services). The ‘mainstream operational functions’ are client-focused and define what the organization was primarily set up to do. The rest are required to provide support to the mainstream operational functions. See *Requisite Organization*, Page Pair 44.

A 20 year colleague of Jaques, Nancy Lee, includes organizational design as part of strategy development because it plays an integral role in achieving corporate goals and objectives. She writes: “Determining corporate strategy includes deciding what functions are needed and what level of complexity the work needs to be done, hence the stratum in which the functions should be placed.” Also: “Strategic planning includes determining which functions the organization needs, aligning functions in an effective manner, and establishing those functions in the right stratum, based on the level of work the CEO determines is required to carry out the function. This strategy is the basis for

establishing a requisite organization structure for the aligned functions.” (Nancy R. Lee, *The Practice of Managerial Leadership*, Xlibris, 2007, P. 107).

4 Consideration must be given to the appropriate level of the role for which the functional mission statement is being written. The time-span of the accountabilities identified in the *functional* mission must be one level below that of the CEO. The incumbent for the role must be able to operate with the appropriate level of capability as measured by their time-horizon. For an explanation of mental processing, capability, time-horizon, and role complexity, see *Requisite Organization*, Page Pairs 24 and 39, *Executive Leadership*, Chapter 3, and *Social Power and the CEO*, Chapter 6. For examples of role complexity and capability requirements at different strata, see *Requisite Organization*, Part 3, Section 4; *Creativity and Work*, P.p. 51-62; *Free Enterprise, Fair Employment*, P.p. 80-85; or *Time-Span Handbook*, Chapter 10.

5 See Elliott Jaques, “In Praise of Hierarchy,” *Harvard Business Review*, January-February 1990

6 There are a number of sources by Jaques for guidance on measuring time span. The two most accessible are *Requisite Organization*, page pair 39, and “Taking Time Seriously in Evaluating Jobs” in *Harvard Business Review*, Sept-Oct 1979. Greater detail is provided in *Time-Span Handbook* (1964) and *Measurement of Responsibility* (1982), both available from Cason Hall Publishing: <http://www.casonhall.com>.

7 For example, see *Requisite Organization*, page pairs 65 through 70; *Free Enterprise, Fair Employment*, p.p. 81-85; and *Creativity And Work*, p.p. 51-60.



8 I infer that Jaques' preferred method for identifying the requirements of roles is akin to identifying time-spans as outlined in *Time-Span Handbook* and in various sections pertaining to organization structure in *Requisite Organization* (e.g., page pair 113) and *Executive Leadership* (chapter 4). In general, it requires the participation of staff in cascading groups of three reporting levels – the manager, their subordinate, and that subordinate's subordinate – referred to by Jaques as Mutual Recognition Units (MRU) (see *Executive Leadership*, p. 128). We have found that with our small business clients, it is more efficient to create a straw man as a starting point, and leave the final details to the management team and an assigned project leader, usually the CEO or designated leader of the human resources function. The alternative is to work with the MRUs to finalize the structure and identify the role requirements.

9 “As we go higher in a managerial hierarchy, the most difficult problems that arise grow increasingly complex, and, as the complexity of a task increases, so does the complexity of the mental work required to handle it. What I found when I looked at this problem over the course of 10 years was that this complexity, like responsibility time span, also occurs in leaps or jumps. In other words, the most difficult tasks found within any given layer are all characterized by the same type or category of complexity, just as water remains in the same liquid state from 0° to 100° Celsius, even though it ranges from very cold to very hot. (A few degrees cooler or hotter and water changes in state, to ice or steam.)

“It is this suddenly increased level of necessary mental capacity, experience,

knowledge, and mental stamina that allows managers to add value to the work of their subordinates. What they add is a new perspective, one that is broader, more experienced, and, most important, one that extends further in time. If Z Press editors at Layer III find and develop manuscripts into books with market potential, it is their general editor at Layer IV who fits those books into the press overall list, who thinks ahead to their position on next year's list and later allocates resources to their production and marketing, and who makes projections about the publishing and book-buying trends of the next two to five years.

“It is also this sudden change in the quality, not just the quantity, of managerial work that subordinates accept as a natural and appropriate break in the continuum of hierarchy. It is why they accept the boss's authority and not just the boss's power.” (Elliott Jaques, “In Praise of Hierarchy,” *Harvard Business Review*, January-February 1990.)

10 See E. Jaques, “In Praise of Hierarchy,” *Harvard Business Review*, January-February 1990; E. Jaques, *Requisite Organization* (2nd Edition), Cason-Hall, 1996, Page Pair 36; E. Jaques & S. Clement, *Executive Leadership*, Blackwell, 1994, P.p., 23-25; E. Jaques, *Social Power and the CEO*, Quorum Books, 2002, P.p., 34-35.

11 Jaques provides just a few pages of implementation advice pertaining to full-scale requisite organization in *Requisite Organization*, Part 5, Section 1. He addresses implementation a little more fully in Working Paper #3001, “Implementing Requisite Organization: How to Move from Manifest to Extant to Requisite,” July 1997, available from Cason-Hall & Co.



About
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Barry has been a partner with The Strategic Planning Group (www.tspg-consulting.com) since 1994. He works with senior executives and their management teams to develop business strategies and strategic solutions for their unique business problems. He is an advocate of the need for a market focus to drive customer, employee, and shareholder value. Barry holds an M.B.A. from the Rotman School of Management, University of Toronto, and a M.A. in Philosophy and B.A. in Sociology from York University in Toronto. He is an Associate Member of the Global Organization Design Society. His article “Think Like An Iconoclast: The Principles of Walt Disney’s Success” was published in Rotman Magazine (Spring ’09) and “The Project Management Paradox” appeared in the Ivey Business Journal (March/April 2008). To read these and other essays on general business topics by Barry, go to <http://www.tspg-consulting.com/essays.htm>.

About
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