# GO Global Organization Design

A dependable path to exceptional business results
based on Requisite Organization principles and state-of-the-art
organization development methods

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"What the Global Organization Design-inspired strategic process brought us was not pre-baked strategies but new glasses so we could see and mobilize the levels of capability within and across functions that could make a difference."

*The CEO of Owen Chemical*

# Introduction to Global Organization Design

**Global Organization Design (GO)** is the only management system that links all aspects of a business to ensure:

- The right organization structure
- The right people
- The right accountabilities
- The right leadership practices

Implementation of GO has led to:

- Increased profits of 30 to 200 percent, including 20 percent to 40 percent growth, cost reduction, and increased productivity and market share
- Improved customer relations
- Greater employee satisfaction and retention

Global Organization Design does this by ensuring:

- The optimal number of layers in the structure and well understood cross-functional relationships
- Clear roles, accountabilities and authorities
- Leadership roles and practices that help managers become effective leaders and employees to use their full capabilities
- Fair performance management and compensation systems
- Assessment methods and a talent pool system that identifies the best people for hiring and promotion, and supports effective career development and succession planning

### Executive testimonials

CEOs embrace Global Organization Design because it illuminates mismatches between their strategy, organization structure and their talent pool. Once evident, mismatches are easily rectified. Below are examples of what CEOs are saying about GO-grounded interventions:

- The North American President of a global appliance manufacturer said, "By applying these concepts at our Canadian subsidiary we were able to grow sales by 33 percent in two years during a flat market and become the number one appliance company in Canada."

- The CEO of the world's largest electronics distributor stated, "I have been involved in major turnarounds that have succeeded beyond my expectations through using these principles to obtain substantial productivity gains while at the same time achieving growth in sales and margins."

- The owner of a fifth generation family business observed, "We got a successful transfer to the new generation, and a professional management structure to carry it forward."

- The CEO of a chemical company: "This system of management gave me and my senior team a very clear plan of what needed to be done with our structure and our people to achieve our vision of growth."

- The controlling shareholder of a consumer packaged goods company said, "We were slipping and competitors were crowding our position. I'm surprised how fast the new organization allowed us to regain our edge and get everybody pulling in the same direction."

- The Chairman and CEO of a fast-growing construction and engineering business noted, "Management talent was our Achilles heel, and the system identified our future needs far enough in advance that we could prepare our next generation of leaders to be ready when we needed them."

Around the world over the last 20 years, hundreds of companies have employed key components of Global Organization Design, including, in Canada, Imperial Oil, Sunoco, Canadian Tire Acceptance, Beaver Lumber, Hoffman-LaRoche, Visa, Swiss Herbal Remedies, a major Ontario utility, two large multi-national resource companies, three of the largest banks, and one of the largest book retailers; and abroad: Ashland Chemicals, Avery-Dennison, CRA (now Rio, part of Rio Tinto), Commonwealth Aluminum, First National Bank of Omaha, Ford Aerospace, Frigidaire Corporation, G & K Services, H. J. Heinz, Johnson and Johnson, Lennox Industries, Mallinckrodt Specialty Chemical, Maxwell Labs, Novus, Shell Chemicals, Unilever, United Stationers, Verizon Inc., Visteon, Whirlpool, and many others.

# Executive to executive

### The CEO's experience of the Global Organization Design process in action

We thought it would be helpful to provide a CEO perspective (using Owen Chemicals, a fictitious amalgam of real-life experiences) on how Global Organization Design can work to transform the business in a time- and cost-effective manner even in the rush of daily events.

This narrative is in the voice of the CEO of Owen Chemicals, a provider of boutique chemicals to other manufacturers in a rapidly evolving technology sector. The Board of Directors brought him in to turn around the firm's increasing loss of key accounts.

The eight-step process outlined below is only one of several ways of implementing Global Organization Design.

## STEP ONE

### Building the senior team

"Three years ago, the board perceived that the previous CEO was spending too much time down in the weeds and decided he wasn't capable of leading the company. I had been VP Manufacturing at Owen some years ago but left when I got a chance to be CEO of a smaller company in the same industry, where I learned to apply Requisite Organization systems. The Owen Board believed I had demonstrated the ability to work on ten-year objectives while keeping the important short-term balls in the air. They believed I had the potential to grow Owen from a stratum V business into a stratum VI company within 10 to 12 years." (Note: *stratum* is a term meaning level of work complexity, to be more completely defined in the last section of this report.)

"Within the first few months of meeting with customers, employees and suppliers, I identified a key issue: long-term customers were complaining that the company was not as innovative as our competitors, that our own product and service development initiatives, and quality programs, did not align with theirs. They indicated they didn't want to switch suppliers, but said they would have to look around if things didn't change.

"I took a hard look at the level of the roles in the senior team and the capability of the people in those roles. No wonder the customers had been displeased. The VPs for Marketing, Product Development, and HR were all working in roles at stratum III and had little bench strength to do more than run simple processes and fight the all-too-frequent fires.

"I created three new roles at IV and filled them with fully competent stratum IV executives prior to launching a strategic review. I felt I needed good bench strength at stratum IV first to help me design the five- to ten-year future and then to support my work on it while also working with me on shorter-term corporate-wide objectives. And while doing that work, they also had to carry accountability for improving their own functions in the two- to five-year time frame. Re-staffing the senior team involved two new appointments and releasing pent-up talent in one that had been micro-managed too long.

"Once I had the right people on board, we were ready to go. Early on I asked the team to spend a day looking at Global Organization Design as an accountability management framework. After some struggling with the new concepts, each member signed on. I gradually changed meeting formats to include time to be more reflective, bring in industry competitive data and encouraged respectful dialogue and debate. Confident we had built some good new habits, I decided to invest our time in a complete strategy review."

## STEP TWO

### Designing corporate strategy

"What made this strategy review different was I had some new tools. When we did our external environmental scan of threats and opportunities, we could now assess the stratum capability of our major competitors in each function to understand what we were up against. We learned how to assess what level their quality system worked at and at what level their Product Development function was designed. And when we did an internal scan of our own strengths and weaknesses, we saw where we had designed each of these functions.

"After benchmarking our competitors on a number of functions, I decided that our best bet was to surpass the competition in Strategic Customer Relations and Management. We felt that our Customer Relationship Managers, CRMs, must know our clients' needs before and better than our customers do, and they must be able to devise and deliver new products and services that meet those needs in ways that our customers would not think of. And we needed to establish a Six Sigma quality and innovation program to be able to meet these escalating customer expectations.

"With the pain of past and potential customer losses and the board's mandate, the senior team was motivated to invest the ten-or-so days together over a six-month period to do the strategic thinking. Our reward was a joint commitment to focus on raising the corporate performance by raising the level of two key functions and increasing customer-focused process coordination across functions.

"What the Global Organization Design-inspired strategy process brought us was not pre-baked strategies but new glasses so we could see the levels of capability within and across functions that could make a difference. And using these same 'levels' tools, we were able to test our plans for feasibility and troubleshoot our own ability to implement the plans."

## STEP THREE

### Determining the structure required to implement the strategy

"Over the next three months, we used GO's efficient interview methods to go beyond our typical org charts to map how roles were actually working in terms of levels. This explained many of our current problems. I'd been frustrated by my CRMs' lack of innovativeness. We had had a quality program, but it never produced much. We seemed to pick the wrong projects. But through these new maps, I saw that the quality manager had been working an entire level too low at stratum III and customer-relations staff and quality teams had been working at stratum II. No wonder we had disappointing results.

"Then we studied different ways to improve the structure to support our new strategy. We prepared several options testing new roles at different levels and with different lateral relations. We were not always able to

*"Our first and immediate issue was correcting a 35 percent mismatch between our current employees' capabilities and their roles."*

follow the Requisite Organization theory in a pure way, but the theory helped us predict what may go wrong with our compromises and to plan how to mitigate those issues."

## STEP FOUR

### Designing the working relationships between functions

"In the past, even when the Product Development group came up with something good they seemed to be out of sync with Customer Service. In fact, we'd get the most juvenile behaviour and turf wars. It drove me crazy.

"Now using GO principles, I understand that as CEO at stratum V, I hold the role of anchoring focus on the customer and ensuring redesign of work processes across functions.

"If the Product Development department thinks the job of Customer Service is to flog their new features, and Customer Service thinks it's the job of Product Development to create the features they ask for, then there is bound to be conflict.

"So I've learned to put substantial effort into designing role relationships to provide for appropriate cooperation between functions and coordination of their work through strategy."

## STEP FIVE

### Ensuring you have the people you need in the right roles — now and in the future

*The immediate need to staff for strategy:* "Our first and immediate issue was correcting a 35 percent mismatch between our current employees' capabilities and the roles they were assigned to.

"Here communication was extremely important to all employees and especially to those whose roles would be affected. The happy stories involved those who had been trapped in roles below their level of capability, and they were eager for promotions into higher roles. Those who had already been promoted over their heads required great care. Senior managers spoke to these folks explaining that it was management's fault and not theirs, that they had been

put in a situation to fail, and that management would do everything they could to find them a job for which they were well fitted. A few were offered transfers to other facilities, and some took early retirement. All in all employees gave management high marks for how we handled this."

*Ensuring talent to secure our future:* "Not only did I have to address the immediate threat to market share caused by lack of innovation, I also needed to be looking into the future to ensure the firm would remain successful.

"Our top team at IV, and even the layer below that at stratum III, are baby boomers. We did a couple of big downsizings in the early '90s, and we now have a talent gap. In a few years when people start to retire, we're going to have a problem.

"Where the talent pool was thin, GO methods were particularly helpful and time-efficient. We had already collected in previous steps much of the data needed in this phase. In two-level meetings, first with me and my IVs, and then the IVs and IIIs, we did some just-in-time training in GO's methods to assess information processing ability of subordinates. Through these processes, we soon had our first cut at identifying the people who will mature to stratum IV capability in coming years.

"Generally managers have all of the information they need to make decisions about placing employees in roles. What they need is a language to use in discussing capability and a process to help them move through their decision-making quickly. My managers were surprised at how rapidly they came to consensus about an individual's capability. We made sure we put quality time into doing this right and that the process was perceived fair and respectful to all."

> *"I was confident we could get a lot more done and generate 10 to 20 percent more profit without hiring another employee if our managers only made better use of the people they had."*

## STEP SIX

### Managing performance — ensuring your managers are skilled at managerial leadership

"Our managers are all experts in their fields. Our product development managers really know technology. But frankly I don't think they have a clue what it means to be a manager. They've been to the usual courses on leadership, but there is still much missing, and that costs us dearly. I was confident we could get a lot more done and generate 10 to 20 percent more profit without hiring another employee if our managers only made better use of the people they had.

"I used to lament that my product development managers didn't have 'the right managerial stuff', but that wasn't the problem. Even when the right people were in the right roles (in terms of cognitive capacity, technical skills and commitment), there was no guarantee that they understood the role of a manager.

"In a three-month period, I first laid out the GO managerial leadership practices I was going to hold all managers accountable for. Then, all managers took a three-day training program in those practices, complete with the framework, tools, meeting processes, and role playing experiences. In the training, managers would learn to a) direct employees, engaging them in tasks that support strategy and make best use of each employee's capabilities, b) support employees, coaching them to improve their abilities, and c) hold their employees accountable, ensuring they work effectively.

"I made sure that the training was tailored to Owen Chemicals' values and strategy."

## STEP SEVEN

### Cementing the change by strengthening the role of the manager of managers

"I was concerned that our managers were not applying what they learned in the management practices trainings.

"From GO principles, I learned that the reason they were not applying their learning was that I was not holding my subordinates accountable for their practices, and my subordinates were not cascading that accountability to their subordinates. When I did hold them accountable for managing well, it was like magic.

"I also needed to make sure that my IVs learned how to carry out their manager-once-removed, MoR, accountabilities down to II. MoRs needed to be trained in how to ensure that the managers below them do their work as managers.

"With regard to my MoR accountability for mentoring and career development of my subordinate-once-removed, I learned to have these interviews assessing talent and help-

ing with career development plans without undermining the manager-subordinate relationship.

"I found that the MoR role is a radically new concept for most managers, and senior managers need to be trained to handle this new accountability. It's part of the structural glue that makes strategy execution happen."

## STEP EIGHT

### Building the compensation system

"It seemed to make sense to leave redesigning the compensation system until last. I worried about biting that bullet because pay schemes seem to bring out the worst in people. But I was surprised. We got it done in about six months with little resistance.

"We, like many others, had been using one of the major 'point-based' compensation systems because of its extensive database to benchmark pay for comparable positions in our geographic area. However, I was unhappy with the amount of time spent in assessing a position and found many managers spent too much time gaming the system.

"We set up the system to pay our employees a base salary depending on the stratum of their role. My staff found research showing that this pay system feels fair to both employer and employee. We decided to pay a yearly bonus on top of that determined by the manager's judgment of how effectively the employee worked above and beyond what their salary paid for."

## Some afterthoughts from the Owen Chemicals CEO

*Initial resistance:* "At first, some managers saw GO concepts as excessively rational and arbitrarily dependent on individual managerial judgments that could easily be wrong. However, the well-designed and facilitated GO meeting processes tailored to the company's culture and led with respect and compassion soon helped them to appreciate the GO approach as a well-crafted balance of head, heart, and gut.

"Many managers were initially uncomfortable making judgments about people's capability and talking candidly with them about judgments on their work. I helped managers break through their misgivings by providing training

*"As a bonus, the GO process was very effective in helping the organization focus on capability and break informal stereotype-based barriers related to gender and ethnicity that had previously unfairly held back employees."*

and opportunity in peer groups to test, practice, and refine their judgments. Particularly important was their sense that when in doubt about an employee, they would work together to collect new data and test it in well-crafted mentoring sessions. And employees would always have the benefit of appeal and career discussions with their MoR.

"Finally, a few managers had serious doubts about GO's concepts about how human capability matured over a lifetime and how focusing on these limits could discourage employees and might lead to an elitist culture. Again, we learned to apply GO with a good balance of head, heart, and gut; and, with experience, learned that most people already have a sense of their potential and reasonable aspirations. The feared problems rarely occurred.

"As a bonus, the GO process helped managers focus on capability and break through informal, stereotype-based barriers related to gender and ethnicity that had been unfair to employees and costly to the company in terms of lost talent. And we learned to smooth out some of the difficult feedback interviews by providing our managers and MoRs with better training and with hot-line coaching."

*Pace and timing:* "Thirty months in, Owen Chemicals is a very different energized and growing company. First quarter I took personal stock; second quarter, staffed key senior team positions; third quarter, developed senior team consensus around the new strategy; and fourth quarter designed the new structure, including both the vertical and preliminary cross functional relationships. We devoted the next two quarters to staffing the new roles, training and MoR development—completing most of the change work within

18 months of my arrival. We cleaned up loose ends during the last 12 months, finally completing the compensation work in month thirty. We are aligned, excited, and on the move!

"My board was also excited when, after two years, our revenue had increased by 38 percent, expenses decreased by 18 percent, and our profit had doubled."

## Reframing intractable problems

All executives, at some point, face what they believe to be intractable problems. By targeting root issues rather than symptoms, GO provides a unique perspective that allows for straightforward resolution of seemingly intractable problems. For example, the EVP HR of a major oil company had to improve the people skills of a highly valued leader:

"We tried management by objectives. We tried 360-degree feedback and coaching. We sent him to a two-week leadership program at a blue-ribbon leadership training centre, and he came back fully committed to change. Yet, within three weeks, he was back to his old bad habits."

The company could have fired the manager, but that would have meant losing someone the CEO saw as uniquely valuable. The problem couldn't be ignored but the traditional interventions accomplished little.

Seemingly intractable leadership problems frequently involve good people who alienate their staff by micro-managing, as well as brilliant managers who leave their less brilliant followers bewildered. There are many proffered solutions, from training to one-on-one coaching to management systems like multi-rater feedback. Unfortunately, none of these work in the long term, but we use them for lack of anything better and because we feel compelled to do something.

Other intractable problems include frequent adjustments of the number of organizational levels, grouping of functions around individuals competing for Hay points, muddle of titles around status norms in an industry, oscillating pulls between centralization and decentralization, and the endless tensions between product, geographic, and functional silos. These are usually "resolved" by re-organizing every few years. Many feel that any fleeting improvements are more than overwhelmed by the costs and disruptions of the changes.

Those who understand GO know that these intractable problems are inevitable reflections of poor organizational structure. Inspired by "Requisite Organization" and "Stratified Systems Theory," the field of Global Organization Design gives executives the context they need to take action upon the true source of their issues.

Research shows that, on average, 40 to 50 percent of employees report to a manager who is ill-suited to provide them adequate leadership. When manager-subordinate role relationships are wrongly designed, even the most well-intentioned manager will be ineffective and the most dedicated employee will be frustrated. Add to this that approximately 35 percent of employees are in roles that do not match their current capability, and the fact that organizations are successful at all is a testament to our human work ethic.

It is not surprising that most organization design is inadequate because there is little in the way of solid theory on the subject aside from the large body of work pioneered by Dr. Elliott Jaques. His work is now the topic of hundreds of independent research studies. (A complete bibliography of research in the field of Global Organization Design and its Requisite Organization base is available upon request.)

Jaques studied organizations for fifty-five years. The roots of his research go back to the now legendary Glacier Metal Company studies begun by the Tavistock Institute in

*"Research shows that, on average, 40 to 50 percent of employees report to a manager who is ill-suited to provide them adequate leadership."*

1948. With the exception of Peter Drucker's writings, no body of work has this kind of pedigree. Why then is Global Organization Design theory so little known?

### Elliott who?

Elliott Jaques was so focused on research that he did a poor job of marketing his findings. This, combined with his habit of dismissing the work of academics across the whole range of social sciences as "bunkum," did not serve to win friends or influence people. Nevertheless, the power of his Requisite Organization concepts, when integrated with effective OD processes for implementation in Global Organization Design, continues to win quiet adherents as increasing numbers of senior OD-process-savvy consultants incorporated Jaques's concepts into their methods. Because of Jaques's controversial style, many who use his concepts do not promote him as the father of the theory behind their methodologies, and therefore his theory's influence and application is much broader than most are aware.

A Fortune 500 office supply firm makes extensive use of GO theory, but the EVP of HR says, "I don't even talk about Requisite Organization except with people like you." A global communications equipment manufacturer used Jaques's theory to inform their de-layering and broad-banding compensation in the late 1980s—a high pay-off innovation that was then picked up by many of the Fortune 100 companies—but you won't find that written up anywhere. One of the big three integrated petroleum companies developed a method for assessing a manager's potential, but unless you know the people who created it you won't know that it is based on the research of Jaques.

Despite the lack of visibility and the intellectual challenge Jaques's dense books present, organizations keep implementing work based on GO theory because, as one executive says, "[They] have never found anything better. It's practical, it's useable, and the concepts make sense to line people."

The aforementioned oil company EVP HR found that trying to fix the personality of the recalcitrant manager was a dead end. However, by applying Global Organization Design principles he was able to design and staff an effective department and the previous personality and style problems just fell away. With this insight he went on to redesign additional departments and found a host of other "intractable people/management" problems also vanished.

### A complete theory

Global Organization Design is a complete theory-based design and implementation process. It starts with an understanding of the complexity of different kinds of work, derives rules for organization structure, looks at how to staff the different layers of the firm, and moves on to issues of setting accountabilities, defining authority, establishing managerial leadership practices and even establishing fair pay levels. It presents a rich, consistent, and research-based view of how to structure and manage an organization.

*"The advantage of having a broad consistent framework like GO is that it provides enduring solutions rather than bandages."*

Similarly, using Jaques's concepts to tailor OD processes greatly increases their effectiveness. Facilitation of strategy with careful attention to these principles clears away muddle and points to effective strategies and implementation plans. Jaques's concepts also multiply the impact of planned participation and training processes. His concepts can align and strengthen many existing organization processes.

The advantage of having a broad consistent framework like GO is that it provides enduring solutions rather than bandages. A systems approach can both explain and remove problems such as:

- "Mary is a brilliant sales strategist but none of her staff know how to execute her ideas."

- "The marketing department is at war with production again. We change the bodies but personality conflicts don't go away."

- "Our managers don't have any clear idea of what their role entails."

All these problems are merely outcomes of the wrong accountabilities, the wrong layering, lack of role clarity or other structural issues. They can all be resolved.

The GO approach appeals to an architectural mindset. It is about building a well-crafted, solid, and efficient infrastructure that can thrive in turbulent times. Structures that Australian mining giant CRA

put in place with these methods in the early l980s are still in place today, despite several changes in leadership and a change in ownership. When a major Canadian bank used GO principles in their Personal and Commercial Client Group (17,000 employees), they were clear they were not just trying to deal with the problem of the week. They were building "a structure that will be in service for at least the next decade." That's a different way of thinking, but that is why Jaques keeps winning adherents. He always was different.

### Key lessons from GO research

Jaques's research led him to believe there are a number of principles that apply to all organizations in which people manage other people. Those principles fall into three areas: structure, people, and management.

### Structure supports strategy

Research shows that the jobs in an organization vary from less to more complex in a series of discrete steps. The job of a manager is not just "more complex" than that of a front-line worker; it is complex in a different way. Similarly, a division manager is not just a bigger job than a first-line manager; it entails new kinds of complexity. The discrete steps of complexity are called *strata*. The number of strata that are appropriate for any given organization depends upon the size and complexity of the organization.

The large Canadian banks all have strategies that require their CEO role to be located at stratum VII, hence requiring six strata of management to support it. In a medium-sized department, there are likely three levels of work complexity—which implies it makes sense to have only three levels of hierarchy, not more, but not fewer either.

It was Jaques who named these levels strata, and his genius was in devising a way to measure the complexity of work. He picked up on an idea that one of his early clients presented him; the idea that complexity of work was related to the "time span" of the job. Shop floor workers use their discretion to complete tasks assigned over days or a couple of weeks, but that's about it. Their manager will be working tasks that won't be completed for another three months to a year ahead. By the time you get to the CEO of large, complex

organizations (IBM, GE, Toyota) they are working to shape the corporation's role in society for decades to come. *Table 1* shows the strata defined in terms of time span.

| TABLE 1 | | |
|---|---|---|
| Stratum | Time-span Range | Typical Roles |
| VIII | 50 years plus | Super corporation CEO (Examples: GE, Exxon) |
| VII | 20 – 50 years | International Corporation CEO |
| VI | 10 – 20 years | Group Vice President, International Corporation |
| V | 5 – 10 years | Business Unit President, CEO of mid-sized company |
| IV | 2 – 5 years | General Manager, large plant manager, Vice President |
| III | 1 – 2 years | Line manager, Department Director, senior professional |
| II | 3 – 12 months | Front-line manager, Supervisor |
| I | up to 3 months | Front-line employee, lead hand |

The concept of stratum allows you to build a structure that supports your strategy in two ways.

First, you can specify the stratum that your strategy requires for each role. There is a tremendous and measurable difference between a VP Marketing at stratum III, capable of designing advertising and promotional materials, and one at stratum VI who can work to build your global brand in a planned way over the next 12 years. Place the role too low and your strategy will fail. Place it too high and you will be wasting money on an over-qualified VP who is likely to expand the Marketing Department beyond where it is needed for your strategy.

Second, more than fifty years of research and experience make it clear that employees want to be managed by a manager one stratum above them. A manager at the same stratum as you makes you feel like they're breathing down your neck. One who is two or more strata above you feels too distant; managers two levels up don't want to slow down to coach you. Usually we see managers who micro-manage or who are too aloof as having a personality problem. In truth, these problems are merely symptoms of a poorly designed structure.

### The selection and development of people to work within the structure

When selecting a candidate for a role, whether a CEO or the front-line worker, it is important to find someone who is willing to do the work and has the necessary skills. But most important, they must have the cognitive capacity needed for the role. Cognitive capacity is an individual's ability to handle complexity, their mental horsepower, and it is critical for two reasons. First, while most of us gain in this dimension as we mature, there does not seem to be any way to accelerate its growth—you can't "fix" someone's cognitive capacity by sending him on a training course. Second, cognitive capacity is what allows an individual to succeed in a role at a given stratum.

The Board may desire to expand against stratum VI competitors and choose a strategy at VI or perhaps VII. They must therefore select a CEO capable of executing the strategy at VI or VII. Boards not using the Jaques system have no way to reliably distinguish a stratum VI-capable CEO from one capable at V.

In one recent example, a stratum V-capable CEO of a Canadian subsidiary installed a Requisite system and was subsequently rewarded by corporate office with a promotion to a larger region. The corporate office, without benefit of Jaques's insights, proceeded to appoint a new Canadian president who turned out to be capable only at stratum IV. That misaligned CEO was incapable of executing the strategy, removed much of the RO systems in place, removed the stratum IV-level VPs and replaced them with stratum III-capable VPs. The new stratum III-capable VPs failed in their stratum IV VP roles. They pulled the level of work down to the level they could handle and thus sabotaged corporate strategy.

While IQ purports to measure this dimension, it actually correlates very little with success in the work world. Cognitive capacity, on the other hand, which looks at a person's ability to organize, extrapolate and apply information to make decisions and solve problems has been used successfully in many organizations to predict how senior a role an individual can succeed in.

### The actions of managers to support employees

Most managers have little training in how to be a manager and fewer still are held accountable for being good managers. For an organization to get the best work from its employees they need to be directed, supported, and held accountable by their managers. This requires three conditions:

- The manager must be one stratum above the employee in cognitive capacity.
- The manager must be skilled at managerial leadership practices (to be described in the next section).
- The manager must be directed, supported, and held accountable by their manager for being a good manager. Jaques called managers of managers "managers-once-removed" or "MoRs", and they play a key role in ensuring you get the best work from your people.

## The GO implementation process

There are several different approaches that can be used to put GO in place in an organization. The eight-step process illustrated here is one way of getting it done.

- Building the senior team
- Designing the corporate strategy
- Determining the structure needed to implement the strategy
- Designing the working relationships between functions
- Ensuring you have the people you need in the right roles—now and in the future
- Managing performance and execution—ensuring your managers are skilled at managerial leadership
- Cementing the change by strengthening the role of the manager-once-removed (the manager of managers)

The Global Organization Design Society will hold the first **Biennial Invitational Global Organization Design Conference,** in Toronto, **August 8th to 11th, 2005** at the BMO Financial Group Institute for Learning to honour Dr. Jaques's work and to share experience in how to apply it. Organizations that have begun to adopt these practices will have a historic opportunity to get in touch with the large but little known network of managers, academics, and consultants using Global Organization Design throughout the world. We hope you will be one of those learning and sharing experiences in this user-network conference.

- Building the compensation systems to pay employees fairly

In reality, each of these steps can be taken on its own, and each one will more than pay for the time and investment required. But in concert, all eight interventions build on each other.

## STEP ONE

### Building the senior team

Dr. Jim Collins, in *Good to Great,* says that the first step to greatness is not a winning strategy but an effective CEO and top team. But how do you build a great top team? The two key elements are capable people and a great team process.

By capable people we mean executives with the cognitive capacity to grapple with the complexities of your market, your core capabilities, and the execution of your strategy. It's not enough to have "smart people." No doubt your database analysts are very smart but what is needed for the senior team requires a whole different level of cognitive capacity. They must be just one stratum below the CEO, or they will drag down the whole team.

Building the senior team sets the foundation for redesigning and refining strategy. It also gives the CEO a much stronger executive group from which to draw counsel. Most importantly, and under-appreciated, is that it provides people to whom the CEO can delegate larger tasks, freeing the CEO to take on more important work.
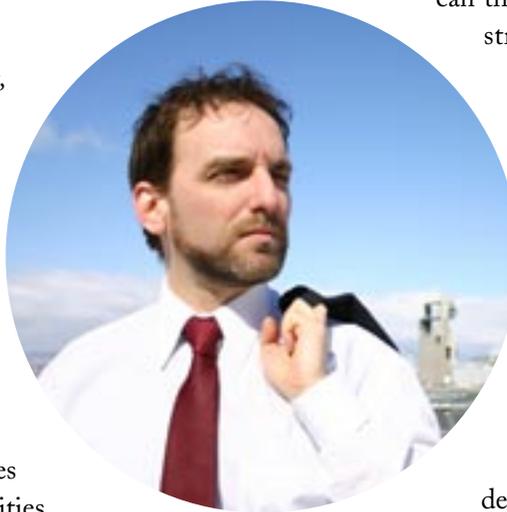
> *"In reality, each of these steps can be taken on its own, and each one will more than pay for the time and investment required. But in concert, all eight interventions build on each other."*

## STEP TWO

### Designing corporate strategy

Having the right stratum-capable CEO and senior team in place are necessary but not sufficient conditions for success. Jaques's concepts make several additional contributions to effective strategy design.

- Just as level of work complexity can be assessed, so can the level of complexity of an organization's strategy be determined and compared to that of its competitors.
  - The level of the strategic planning process must be designed to produce a strategy to match or exceed competitors. For example, the required strategic planning process for a stratum V corporation is different in many key aspects from the appropriate system for a stratum VI organization. The level of abstraction, the level of data analysis, and complexity of option development and evaluation are distinct for each different stratum.
- GO concepts provide a radically improved framework for evaluating competitor strategies by assessing the level of their key functions. For example, Wal-mart benchmarked its competitors on their IT systems support for inventory control and ordering, and then designed its paradigm-breaking system one whole stratum above its competitors, giving it unmatchable advantages in cost control and in stock levels.

In another example, a major bank CEO, competing for sought-after high-net-worth customers, sized up his competition's customer service function as designed at stratum II. He proceeded to design his own bank's customer service function at stratum III and greatly expanded market share while reducing head count. His bank's stratum III associates could relate better to the clientele and provide solutions in a two-year time frame. Competing institutions' stratum II agents simply couldn't deliver the same quality.

- Another contribution of the GO framework is that there won't be any vagueness of the "somehow it will happen—we hope" variety. Leaders with the right level of cognitive capacity clearly understand what specific elements they need to put in place to transform their day-to-day reality to their vision of tomorrow.

## STEP THREE

### Determining the structure needed to implement the strategy

Typically, your strategy will specify the basis on which you will compete, as in the step above. For example, "Our marketing and customer service will be the best in the industry by being designed and positioned one whole stratum above our competition."

First, your strategy determines what functions you have at the VP level. Do you need a VP Logistics? Do you need a VP Sales & Marketing or do Sales and Marketing need to be separate functions? Decisions such as these will be based on strategic considerations.

Second, your strategy will determine the stratum at which various roles must be placed. Your strategy may, for example, need a marketing function that will develop value-chain-analysis capability above that of competitors. Or the strategy may be to build a reputation for creativity within the next three years. Such strategies would require a closely linked stratum IV VP Marketing and stratum IV VP of Product Development.

The more you are competing on the strengths of a role and the longer the time frame of that role, the higher it must be. The more you are competing on lowering the cost of a role and the more you simplify the decisions made in it, the lower the stratum.

## STEP FOUR

### Designing the working relationships between functions

A unique feature of Global Organization Design is that it coordinates the work of various functions while still giving each employee the clarity of having one and only one manager. This works through a unique set of six lateral relationships.

Most organizations fail their employees by not clearly defining the parameters within which they are to work with their colleagues. This leaves employees who encounter resistance to resort to manipulation, force of personality, covert actions or "tattle telling" to get their work done. The GO framework makes it clear who can say no to whom and under what circumstances. It also defines the consequences for doing so. With this explicitly detailed, employees spend their time working rather than finessing authorities they need but weren't given.

For example, the Marketing Department may depend on the Customer Service Department's ability to find out what is happening in the field, so a Customer Relationship Manager (CRM) may be given *advisory accountability*. This is the accountability to give a Brand Manager unsolicited advice about what is happening to her brand. The CRM's own manager holds the CRM accountable for doing this, and it's up to the Brand Manager to take the advice or not.

In addition, the CRM may have *service getting authority* over the Brand Manager to obtain special sales tools or Point of Sales materials; the Brand Manager's own manager holds her accountable for providing that service.

The Brand Manager may also have *monitoring authority* over the CRM, the authority to request that the CRM not make promises about the brand that are outside its official positioning; the CRM would be held accountable by their manager for complying with the request.

*Table 2* shows all of the lateral relationships. An understanding of these lateral relationships is the fundamental tool for integrating functions. It is one of the most important and little known contributions of GO theory.

| TABLE 2: INTEGRATING FUNCTIONS ||
| --- | --- |
| **Lateral Relationship** | **Authority** |
| Advisory | Give unsolicited advice about specified topics |
| Service Getting | Obtain specified services. (Usually, the Service Giver has the option of specifying when they can deliver the requested service.) |
| Prescribing | Give orders to be followed immediately. (Authority usually given only to those in charge when health or safety are at risk.) |
| Monitoring | Request another employee to conform to a strategy, plan or policy. (If the other employee refuses, the monitoring employee can escalate to his/her manager.) |
| Coordinating | Request a group of employees to conform to a strategy, plan or policy. (If the other employee refuses, the coordinating employee can escalate.) |
| Auditing | Require another employee to conform to a strategy, plan or policy. (If the other employee needs to, they can escalate.) |

## Accountability

**Built into these practices is a central principle of GO organization theory, accountability.**

• **In task assignment, the manager makes clear what the subordinate is to work to accomplish.**

• **In monitoring, the manager keeps track of how well the employee is working and progressing towards their goal.**

• **In coaching, the manager may bring consequences for substandard work. The employee may need to redo the work, or may need to take further training. They may also be told that they will not be given challenging work if they cannot handle it.**

• **In effectiveness appraisal, the manager may decide not to give the employee a bonus or a raise if their work has not been effective.**

• **The ultimate accountability tool is de-selection, removing the employee from the role because they simply are not doing the required work.**

**Managers often complain that their employees do not "feel accountable" or that their organization lacks a "culture of accountability." Accountability is not an issue of feeling nor of culture but of managers holding employees accountable through the 11 managerial leadership practices.**

Clarifying lateral relationships is hard work, but it improves the quality, increases the speed, and reduces the friction of any work between functions.

## STEP FIVE

**Ensuring you have the people you need in the right roles—now and in the future**

Changes in structure may leave an employee in a role whose title has not changed but which is now, for example, at stratum III instead of stratum II. When structure changes, some employees will no longer be suitable for their roles.

Managers need to assess whether employees one and two strata below them are suitable for their new roles in the sense that they

• are capable to work at the stratum of the role,

• have the skills and knowledge to do the work, and

• value the role so that they will do that work with full commitment.

After roles are filled with people capable for them, talent pool development needs to be an ongoing process. While succession planning typically is concerned only with very senior roles, talent pool development is a comprehensive program looking after the needs of the organization and its employees.

Filling roles with capable people on an ongoing basis brings a three-fold benefit:

• **Effectiveness** is increased because strategic goals have been assigned to people capable of reaching them.

• **Efficiency** is improved because people are doing work at the level they are paid for and because succession is planned for.

• **Trust** is greatly enhanced because employees understand they have a future in the organization.

## STEP SIX

**Managing performance—ensuring your managers are skilled at managerial leadership**

Your strategy tells you what to accomplish, your structure tells you which roles will do what to accomplish it, and talent pool development ensures that those roles are filled by employees who are capable of doing the job. But employees also need on-going management. The key to managing performance lies in 11 managerial leadership practices:

• **Selection and induction:** Choosing the right candidate for a role and bringing that employee into their role, the team and the corporation to become as productive as possible as soon as possible.

• **Context setting:** Keeping the team informed about changes in the context of their work.

• **Team planning:** Considering as a group how to tackle major tasks.

• **Task assignment:** Being clear with individual employees about what you want them to accomplish.

• **Team building:** Being clear on how you want your team members to work with each other.

• **Task adjustment:** Changing a task when conditions warrant.

• **Monitoring:** Observing how well each employee works and what they accomplish.

• **Coaching:** Helping each employee be a better resource for you.

• **Appraisal:** Gauging how well each employee has worked over the past year and assigning an appropriate bonus.

• **De-selection/dismissal:** Removing employees from roles within which they will not succeed.

• **Continuous improvement:** Making processes take less time and fewer resources and yield higher quality outcomes.

These practices allow employees to give their best. They will be working on what you want them to work on, working as effectively as possible, and their abilities will be improving, all of which improves your profitability.

## STEP SEVEN

### Cementing the change by strengthening the role of the manager of managers

The manager-once-removed, or MoR, plays two key roles in ensuring that the organization stays its course.

First, MoRs clarify how they want their managers to exercise leadership and then holds them accountable for doing so and not just delivering short-term results. They also monitor how well their managers are managing, and coach them to manage better.

Second, MoRs are the natural mentors of the subordinates of their direct reports in that they have a wider view than the manager of the employee's capability and the opportunities available. And it makes sense that the MoRs decide whom to promote to be their immediate subordinates.

## STEP EIGHT

### Building the compensation system

We have mentioned two ways in which organizations need to support their managers: the talent pool development process and the MoR practices. Compensation is the third required support system. Of course, employees must be paid fairly for the work they are being asked to do, with flexibility for situations in which employees with rare skills need to be overpaid to attract them. In addition, to be truly supportive of managers, the compensation system must meet the following criteria:

•   It must support strategy and structure and not interfere with them. Some pay systems require an individual to manage a large department in order to have a large salary. Thus, a stratum V internal consultant may be given a large department to manage to "justify" their large salary. Invariably, the individual abdicates either the internal consulting or managing the department, and strategic goals are missed.

•   It must support managerial authority rather than interfere with it. If someone other than the manager has authority to assign bonus, employees will work to please that individual rather than their manager. And the manager needs the authority to assign bonus according to how effectively the employee worked; otherwise, the manager has no significant means to hold the employee accountable for working effectively.

Global Organization Design has templates for compensation that pay employees fairly and support strategy, structure and good management.

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## JUST IMAGINE!

### Global Organization Design is capable of achieving the following for your organization:

- You have set a strategy at the right level to out-perform your competitors.
- Your structure is optimally designed to support your strategy, with the right number of layers for your organization. That ensures that decisions are made at the right organizational level by people with the right time perspective.
- Your people are fully capable of performing the work required in their roles, everyone's accountabilities are congruent with his or her authorities, and everyone is allowed to use his or her creative potential within appropriate guidelines.
- Your vertical and lateral role relationships are clear, helping everyone accomplish his or her work, and therefore everyone understands what is expected and trusts fellow workers to do the same.
- You have the right work processes and procedures that have been designed to ensure that you can win against your competitors through higher quality services and products.
- Everyone is led by a manager who understands and carries out proper leadership practices, including on-going coaching, and everyone has a mentor — their manager-once-removed — accountable for their development.
- Everyone lives your company's values and the culture is a performance culture rather than an entitlement culture.
- Everyone feels that he or she receives fair pay.
- **…and you surpass your goals for business results and customer and employee satisfaction.**

This report was written by Maurice Dutrisac, Don Fowke, Herb Koplowitz and Ken Shepard, with advice from 10 others, to educate current and potential users about Global Organization Design. The authors made the report available to the Society to use in building awareness of these powerful methods. The report is intended to be illustrative and not definitive of the different ways in which the GO principles are applied by the many executives, consultants and academics expert in the field around the world. This March 2005 revision reflects suggestions made in early peer review.

Information about the Society is available at **www.globalro.org**

The Global Organization Design Society invites further peer review of this report at:
**www.surveymonkey.com/s.asp?u=62672880525**

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