FAQs   5-5-05

Frequently Asked Questions
(FAQs)

(We will start with the basic questions and increase the complexity as
we move along. If you are brand new to this approach, you can read
the FAQs straight through as an introductory essay (20 pages). Please
note, both Canadian and US spelling are used throughout since this
was co-written as an international effort.)

Where does this theory come from?

Who were Elliott Jaques and Wilfred Brown?

What is "time-span of discretion" anyway?

Aren't hierarchies obsolete in today's dynamic business world?

Why are the stratum boundaries so specific?

Discretion? Shouldn't employees be demanding Autonomy?

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do we need managers?**

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**How does compensation work in RO? This "merit pay system" looks like pay for
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SOME OBJECTIONS TO THIS APPROACH

This theory is culture-specific. I heard it does not work elsewhere.

This theory is too static, rigid, mechanical.

We need flexible organizations and systems so people are free to express themselves.

We need lots of change to keep up with the competition. This will get in our way.

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Why is this theory so controversial?

I heard Elliott Jaques was an ideologue.

The followers of this theory are a cult.

We must think outside the box, not be trapped inside it.

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Where does this theory come from?

This organization theory originated in a 17-year-long research project conducted at the Glacier Metal Company in North London, UK (1948-1965). This research was led by Dr. Elliott Jaques (pronounced "jacks") under Sir Wilfred Brown, the chairman and managing director (MD) of the company. Jaques approached the Glacier project as a scientist, while Brown viewed it from the perspective of a business executive. The two key research discoveries were "time-span of discretion" and "felt-fair pay."

In 1965 Glacier Metal was acquired by Associated Engineering Ltd (AE) and the application of the theory spread across the larger firm when several Glacier executives became successive Managing Directors of AE. (This lasted until about 1990.)

Who were Elliott Jaques and Wilfred Brown?

Elliott Jaques, M.D., Ph.D., (1917-2003) was a psychoanalyst who developed several original concepts, including corporate culture (1951), the midlife crisis (1965), and an organizational theory based on employee discretion and judgment (1956). Jaques worked over 50 years as the principal investigator in developing this organization theory. He published over 20 books and over 80 articles on it.

Sir Wilfred B. D. Brown, D.Laws. (Hon.), (1908-1985) headed Glacier Metal Co. (1939-1965), was minister in the U.K. board of trade (1965-1970) and pro-chancellor of Brunel University (1966-1980). Sir Wilfred initiated the Glacier project in 1948 and was an active partner with Jaques in developing the theory. He was committed to a constitutional approach to enterprise governance that ensured employee participation, fairness and due process. He wrote four books, co-wrote two others, and published several score articles on the theory.

What is "time-span of discretion" anyway?

One of the first research discoveries was that there were two elements in all work, prescriptive and discretionary. The manager sets the goals and the context for the work and assigns specific tasks to the employees. A task has four prescriptive targets that describe its goal: Quantity, Quality, Time of Completion, and within the Resources available (QQT/R). The manager also describes the context of the task and its purpose and discusses it with the employee to get his or her best advice.

The employee, on the other hand, provides the discretionary element of the work: the judgment the person uses to bring the task to completion. Time-span of discretion (TSD) is a measure of the discretion required within a role (job). Specifically, TSD is the length of the longest task assigned to a role by the manager. The manager trusts the employee to work on his or her own without further supervision for this length of time.

The discretion required within a role is assessed by the longest task that the manager assigns to it. TSD is not a type or amount of discretion. TSD is the length of the longest task assigned to a role, its time-span. Discretion and judgment are used by the employee within the manager's prescribed limits and toward the achievement of the goal.

This discovery created a measure that has proved useful in determining how complex the work in a role is and on how a department should be structured. It is also the foundation for a very different kind of hierarchy than the ones we have today.

Aren't hierarchies obsolete in today's dynamic business world?

Jaques discovered people organize themselves naturally into hierarchical layers to get work done. The key to this layering was problem-solving capability. This works both upward and downward. Each higher layer must be able to solve the work problems the layer below can not solve. Each higher layer also must be able to design work and goals that the next lower stratum can accomplish.

Most business people as well as academics would say this is an ideal. But Jaques found he could measure this capability by the time-spans of the assigned tasks. This means we can design and build an organization structure using layers (1) that is not at odds with the capabilities of the people in it thus reducing interpersonal strife, (2) where work and goals are clear at each level thus increasing effectiveness, and (3) where work problems are solved quickly thus increasing efficiency. Requisite hierarchy is designed to be sensitive to the voices of the work processes, the employees, and the customers.

Why are the stratum boundaries so specific?

This was purely an empirical finding by Jaques. In his interviews with employees he found they sought out a problem solver at the next higher level of complexity when they were stumped at work. It was the employees who defined the next higher stratum of problem solving. These levels were boundaries between the time-horizons of the employees and their "real" managers. Jaques did not set these boundaries. He discovered them from the way people behaved when they needed help.

The boundaries emerged at 1 day, 3 months, 12 months, and 2 years, 5, 10, 20, 50 and 100 years. These boundaries demarcate the strata inside all human organizations. For example, the role of CEO of a *Fortune 100* company would be at Stratum VII. (Only a handful of the largest organizations in the world require eight strata.) This is what the stratum boundaries inside a requisitely structured organization would look like:

THE PROBLEM SOLVING STRATA: "WHO'S YOUR BOSS?"

Stratum	Employee's Role Time-Span	"Real" Boss's Role Time-Span
VIII	50 to 100 years	A board of peers
VII	20 to 50 years	over 50 years
VI	10 years to 20 years	over 20 years
V	5 years to 10 years	over 10 years
IV	2 years to 5 years	over 5 years
III	1 year to 2 years	over 2 years
II	3 mos. to 12 mos.	over 1 year
I	1 day to 3 mos.	over 3 mos.

Discretion? Shouldn't employees be demanding Autonomy?

Generally, the British use the word "discretion" where the Americans use "autonomy" or "directed autonomy." The differences usually are rhetorical and cultural. But linguistically the two words really are different, where autonomy means self-governance and discretion means degree of freedom. So be careful. (Other English-speaking countries may use one word or the other. Sometimes other languages don't have a term of use.)

Work in an organization must be coordinated by the manager. This includes designing tasks and assigning them to employees. The manager also manages the interdependencies among people and between groups, so the larger tasks get done. Generally, employees usually want clear "operating" discretion/autonomy to be able to bring the work to completion, not the "strategic decision-making" discretion/autonomy demanded by advocates of employee participation in managerial decision-making.

A confusing term is "professional autonomy." This seems to mean employees should not only have control over how they do the work but they also should have the power to set their own goals. This is nonsense. Professionals are entrepreneurs who work for themselves and have as much autonomy as they want. An employee who works for an organization has to work within its limits. (This includes the CEO.)

We have empowerment and teamwork. The manager is often not around. So why do we need managers?

Like many popular terms relating to management and work, "empowerment" and "teamwork" have no common definition. From the perspective of this approach, empowerment is the discretion allowed an employee and is measured by time-span.

The manager designs the operating system and its interactions. Operating systems often require coordination and employees must coordinate their efforts with other employees. Teamwork is cooperation and coordination, and it is completely consistent with individual accountability. The manager holds each employee accountable for working with full commitment within that system. The manager can hold employees accountable for working with full commitment on tasks assigned without being present every hour of the day. In fact, checking an employee's work too closely will effectively shorten the time-span of the employee's role, is demoralizing, and wastes both the employee's and the manager's capabilities.

In the Requisite approach the manager is a resource for getting the work done. When a problem surfaces, the manager must be accessible to provide problem-solving capability. The manager does not have to be at the worksite continually. In reality, how closely the

manager checks the work depends on the level of capability of the employee. The manager should be able to trust the employees to get on with the assigned work by themselves.

What is "felt-fair pay"?

Soon after Jaques discovered time-span of discretion (TSD), he noticed people in different departments at Glacier Metal (who had the same TSD) stated similar amounts of money to feel fair to them for the work they were assigned to do. After further investigation he realized the correlation between these two numbers was very strong. As their TSD got longer, their felt-fair pay (FFP) got larger.

To be clear, time-span correlates with the total compensation that an employee in a given economic geography (e.g. urban Canada) feels is fair pay for the work in his or her role. Felt-fair pay is not what the person is paid. It is not Actual Pay (AP). What is actually paid may be a different matter entirely. But if the gap between FFP and AP is great, morale problems will develop.

How does compensation work in R.O.? This "merit pay system" looks like pay for performance. What's the difference?

There are now numerous research findings that compensation feels fair when it relates to the complexity of work in the employee's role as measured by time-span. The correlation between TSD and FFP averages +0.89 over nine studies and dissertations. The correlation is positive: as the time-span of a role goes up, the felt-fair pay for it also increases.

The organization "rents" an employee's capability the way you might rent an electric generator from a rental store. You pay by the wattage of the generator, not by what you produce using the electricity it generates. The organization pays the employee by the employee's level of effectiveness in dealing with the work assigned, not by what the employee's capability produces.

The employee is paid for the level of effectiveness he or she contributes to the system. This is not pay for results or for performance, if by "performance" one means output. (If you want to buy output from a person, make them a supplier or an agent.) What you are "renting" from an employee is their capability. It is up to the manager to direct that capability towards tasks of the manager's choosing (after considering the employee's advice). This is why the manager is accountable for the employee's output.

This approach rules out piecework and many types of incentive and bonus systems that are results-based. Many managers have a great deal of trouble letting go of these concepts. The trouble with such approaches is that they work – but only in the short-run. Over the long-run (and mid-run) they have perverse effects. Employees can end up forgetting the needs of the customer and the organization and focusing on the incentive instead to the point of undermining the manager's authority.

How can this generate a Differential Pay Scale for the organization?

The strong correlation between felt-fair pay and time-span generates constant pay relativities at each level of the hierarchy. Not only does the FFP increase as the TSD increases but this link holds in different geographic localities and in different decades. Over 100 TSD:FFP studies have been conducted for private companies in 25 countries. (These remain confidential but the findings are consistent with the published studies.) The result is a differential pay scale that is kinked at the 6-month point (in Stratum II).

This pay scale can be expressed as a set of ratios using the time-span at the bottom of Stratum III (12 months) as its pivot point. (FFP is represented as "x" for entry-level Stratum III.) Thus, at the bottom of Stratum I (1 day) the felt-fair pay is 31% of x. Stratum II (3 months) starts at 55% of x. Of course, III is x. Above Stratum III the differential doubles at each stratum, so - Stratum IV (2 years) begins at 2x; V (5 years) at 4x; VI (10 years) at 8x; VII (20 years) at 16x; and VIII (50 years) at 32x.

Two chief things must be borne in mind. First, this has nothing to do with any "minimum wage." They are not related. The work at Stratum I is usually well above jobs paying the minimum wage.

Second, some CEOs are today getting paid hundreds of times more than operating level workers. Neither these CEOs nor their boards of directors use a differential pay scale to establish an appropriate level of pay for the First Employee (the CEO). According to some observers, CEO pay has become a tournament, a winner-take-all contest, a one-time grab for the gold ring. (These CEOs may feel a pang of guilt at this overpay, even shame, yet they still cash the checks.) But other results are generated as well. Such overpay can sever the bond of the CEO with those lower in the organization, undermine their effectiveness as leader and manager, and leave them an isolated "imperial executive." As a result, these boards are facing questions of due diligence, due process, liability, and accountability.

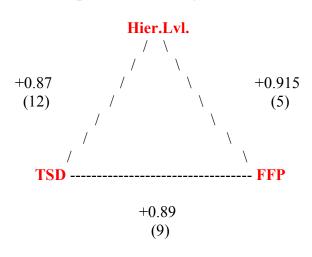**Academics say there is no research supporting this theory, so what's the point?**

The Annotated Bibliography documents the substantial amount of research published on this theory. It is downloadable and has over 1500 published items on the theory - plus 650 others from the mainstream literature with findings that support the theory. The quality of this research has also been addressed. Over 400 articles on the theory - plus over 200 more from the mainstream literature that support the theory - have appeared in peer-reviewed journals. These total over 650 articles and 130 of them were published in A-level academic journals.

Academics say this theory has never been replicated. Well?

These academics are wrong. More important, the three key correlations of this theory – among time-span of discretion, felt-fair pay, and hierarchy level – have been replicated

many times with very strong findings that were statistically significant. These correlations are central to this theory. Most academic theories have only one correlation. Here we find three that interlock strongly. They have, for example, allowed Jaques to make statements about the way organizations MUST be structured if they are going to be functional. Other academics have much weaker results that only allow them to postulate and speculate. (See the Introduction to the Annotated Bibliography for details and citations.)

Below are the averages for each.   (The number of studies is in parentheses.)

The Replicated Triangle of Correlations

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                        Hier.Lvl.
                        /   \
                       /     \
    +0.87             /       \            +0.915
     (12)            /         \             (5)
                    /           \
                   /             \
                  /               \
         TSD --------------------------------- FFP
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                        +0.89
                         (9)

How can you claim to have identified capability growth rates?

In adulthood, we continue to mature in our capability to handle complexity. We do not stop growing in capability when we finish school. In fact, Jaques discovered we continue to mature in capability all our lives. This growth is organic. It is not the result of experience. Jaques interviewed several hundred people to identify those points in their lives when they felt fully challenged in their work. He recorded their age and the level of the job they held at that time. By plotting these two facts for each of these individuals, he documented their rates of growth. These progression curves have been replicated in the findings of other researchers as well.

These results are similar to other types of biological growth curves. As people grow older their capacity level matures and their individual time-horizon lengthens. Thus, people become more capable of working at higher levels in the organization as they get older. Each of us grows at our own rate of growth.

This does not mean skills, knowledge and abilities are irrelevant (SKAs). When we work at a higher level in the organization we need a broader perspective. Acquiring cross-functional SKAs is essential preparation for moving up in any organization. Learning

new SKAs remains important and the lack of a critically significant SKA may be a knockout that blocks a promotion to a specific role.

The SKAs, however, are not the central drivers here. New skills and knowledge are learnable and can be acquired. Organic growth in capability is the key driver of this maturity process. Many employers are not currently using the full capability of their employees. The true capability level of these employees will not be known until: they are trained and educated fully, and they are assigned tasks to test their full level of capability.

Accountability? Isn't that one of the worst of the Old Fashioned ideas?

In the past "Accountability" often signaled a witch-hunt. -- Who made that error? -- Who is to blame? -- Round up the usual suspects. (In the bad old days "Accountability" was the "scarlet letter A" of anti-people management.)

Jaques condemned this approach to management as anti-requisite. Employees are not accountable for the outputs and results of the system. The managers designed the system and its tasks. They selected the employees to assign the tasks to. The managers assigned the tasks to employees who they judged were capable of completing them. Thus, the managers are accountable for the results of the system, not the employees.

The employees provide their discretion and judgment in bringing the assigned tasks to completion. This input is what they are accountable for. On an individual level, however, many people believe they are accountable for their results. They are proud of their results when they are good and are willing to take the heat when they mess up.

If an employee understands a task and accepts the assignment, he or she has to bring it to completion as assigned. Otherwise, the employee must take the task back to the manager as soon as the blockage or alteration is identified. The issue here is the definition of accountability and who is accountable for precisely what. Clarity comes first.

Employees are not accountable for their results?

The operating system is designed by the managers. Employee efforts are an input into the operating system of the organization just like materials, equipment, methods, measurements, and the environment. Their efforts are mixed with the other inputs to create an output. It is impossible to unscramble the elements of a system and assign the results of the system to one input element, including an employee. The managers are accountable for outputs since they design and control the system and arrange the inputs.

This approach measures the employee's input to the system – the discretion used by the employee to bring the work to completion. This is the time-horizon of the person. This measurement is at the point of input where the manager assigns the task to the employee. The person's time-horizon must match the time-span of the task. If it doesn't, the employee will fail to complete the task as assigned. The employee's level of discretion (their time-horizon) is judged by the manager when the task is assigned – at the point of

input. This match is up to the manager. If the manager makes a mistake in task assignment, the mistake is the manager's, not the employee's.

If you ask me to account for what I accomplished last year, I'd reply, "Why are you asking me that? Ask my manager. Everything I accomplished, I did because my manager told me to. And when I suggested I work on something different, it was my manager who decided whether and how my tasks would change. My only contribution was to work with full commitment and to give my manager my best advice, and when I slipped up in those areas, it was my manager who held me to account for working with full commitment."

If you ask me to account for my effectiveness, I would say, "I am accountable for working with full commitment on the tasks my manager assigns me. My manager holds me to account. If I'm not working effectively enough in my role, it is my manager's job to increase my skills so I can do the work at my level or to decide I lack the potential and to change my role or move me out."

Every employee is accountable for telling their manager, as soon as they know, that their output will differ from that which was assigned. If they know that they won't reach the target or that by working full-out will exceed the target, they must tell their manager. This allows the manager to make adjustments in his or her own plans, in what tasks are assigned to other employees, and in what advice they give their own manager. When goals become unrealistic they are adjusted. This increases the effectiveness of the employees and the department. (This also reduces the scrambling that happens at the end of a quarter when it suddenly becomes clear the department will not make its numbers.)

Employees should never be ranked or rated against each other. There should never be a forced ranking or a forced distribution. Each person contributes at his or her own level, whatever that is and is assessed on the effectiveness of their contribution. That is what they are accountable for.

Hierarchy? That's for pleasing the boss. Isn't this bureaucratic navel-gazing?

Hierarchies are everywhere in nature. Plants, animals, and insects are all arranged in hierarchies. Hierarchies are also at the center of complexity theory. They are fully present in the "new economy" organizations.

One driver of the need for reinvention is that we have been designing and running our hierarchies very poorly and very badly. Jaques and Brown denounced current organizational hierarchies as dysfunctional. (They were not defending them.) These firms make the workplace a stressful, living agony for many of their inhabitants. They powerfully spread their dysfunction outward into the families of their employees and the communities that surround them. They cause social unrest and psychological illness. Jaques and Brown found these organizations also don't work. Current business hierarchies are ineffective in achieving the minimal financial goals set for them.

Dysfunctional hierarchies can crown the boss and turn employees into handmaidens seeking the approval of the Important One. The customer is not on the organization chart and is forgotten – and then forgets the company. This is a popular road to destruction. Schumpeter called this creative destruction but the creativeness comes from the competition, not the firm. Competitors love it.

Requisite structure is based on increasing the problem solving capability at each higher level in the hierarchy. This capability is reflected through several dimensions. The first is time-horizon. Time-horizon is the person's capability to work into the future. This is not just the intellectual capability to think and plan into the future but the practical capability to take on tasks of that length and bring them to completion. Jaques found, as a person's time-horizon gets longer, the person's problem solving capability also increases. Increased problem solving capability enables the person to solve more complex problems. The person uses both to produce larger results.

What Jaques and Brown added to this picture is the requirement to give each employee a manager who is a step more capable than the employee. These managers have the capability to bring the longer-range tasks to completion, on time and within resources. It is the manager's greater problem-solving capability, and the accountability to treat the employee with respect, that makes hierarchy not only bearable but actually freeing and supportive.

People use only four logical operations? Surely there must be more than four.

There are four formal logical operations described by Rene Descartes some four hundred years ago: or; and; if-then; if-and-only-if. They are the basis of the Cartesian "truth table." These are the methods we use in logical persuasion.

Jaques empirically found four processes we use to process information, in order of their increasing complexity:

- Declarative: using a single action to solve a problem, trying another if the first doesn't work
- Cumulative: using a number of actions collectively to solve a problem
- Serial: using a series of three or more actions, each enabling the next, to solve a problem (A$\rightarrow$B$\rightarrow$C)
- Parallel: using a number of series, each having at least three steps, to solve a problem ([A$\rightarrow$B$\rightarrow$C] and [a$\rightarrow$b$\rightarrow$c] together $\rightarrow$ X)

When processing information of different orders of complexity we still use these same four processes. Jaques was able to identify five orders of information complexity. The first two orders relate to the world of infants and children. (This is the area that Jean Piaget studied, and Jaques was able to map his framework neatly onto Piaget's stage theory.) We mature through these two orders as we grow through infancy and childhood.

The next two orders are used by adults in the world of work. The relation between information processes and ability to work at various strata was documented by Jaques and Cason in *Human Capability*. There is at least one order of human information processing above the fourth. (We usually call this the genius level.)

The exact relation between the logical operations and the processes we use with information has not yet been definitively established. If there are other ways of processing information, they do not appear to be relevant to this organization theory.

Where is the customer?

An organization designed requisitely - according to these principles - has managers at each stratum who can design future goals for the system and the tasks to meet them. But this is not enough. The customer has expectations for the goods and services offered by the organization and their expectations are always changing. The firm has three types of customers: today, tomorrow, and the future customer.

The hierarchy becomes the major avenue for meeting the needs of all three types of customers. Requisite organization is focused not just the current customer and meeting their needs today. These needs are met by the operating level of the organization. Managers in the middle strata are focused on tomorrow's customers and executives at the top are focused on meeting the needs of the future customer. The longer we look into the future the more different the future customer becomes compared to today's customer.

Where are the profits?

Hierarchy creates profits. That's right. Surprised? Here's how it works. Each higher stratum reviews the decisions made at the lower levels. This review includes an evaluation of the profit impact of those decisions and projects. Each higher level adds considerations to ensure future profitability. In most companies this process is formal. But when managers are not capable for their roles or the roles are not organized by strata, this review process malfunctions. This is a contributor to the company becoming a profitless, dysfunctional bureaucracy. Over half of the top 2100 companies in the Russell 3000 failed to earn their cost of capital over the five years ending in 2003.

Why have I never heard of this theory?

Several possible reasons. This theory cuts across multiple disciplines – sociology, psychology, management, organization studies, economics, etc. Over 1500 articles, chapters and books have been published on the theory but they have been spread almost evenly across these areas. They have not been concentrated in one field.

As Jaques discovered new facts he periodically reconceived the theory to incorporate them. Many of his writings appear repetitive but are subtle recastings of the theory as it was being developed. At other times he realized an idea was wrong and changed his mind – and the theory – to fit the new facts. This may look contradictory but Jaques

always followed scientific method based on his medical training. For example, Jaques developed the idea of "organizations as a defense against anxiety" (1953) but later withdrew this concept as not valid.

As a result, this organization theory has been known by different names over its half-century of development: Time-Span Theory (1956-), Equity Theory (1961-), The Glacier Theory (1965-), Stratified Systems Theory (SST) (1976-), Levels of Work complexity (LoW) (1978-), and Requisite Organization (RO) (1989-). People who learned about the theory in different decades may continue to use different names for it. (This is a Tower of Babel problem.)

Jerry Harvey has addressed this frustrating question in his chapter, "The Elephant in the Parlor or Who the Hell is Elliott Jaques?" (see his book *How Come Every Time I'm Stabbed in the Back the Fingerprints on the Knife Are Mine? 1999*) Harvey contends that Jaques's ideas are so threatening to the established notions of management that they are shunned. His beliefs in hierarchy, managerial accountability and authority, and differentials between individuals' levels of capabilities fly in the face of most of what has been written today. His methods are threatening to the large consulting houses because the methods are directly accessible to managers without costly interventions by consultants or proprietary technologies. His consistent definition of his terms stands in sharp contrast to other management writers who either do not define their terms or who give definitions that are inconsistent with the ways in which they actually use their terms. Criticisms of Jaques's work are rarely about facts or methods used by him but instead center on inferred connotations of the words he uses (e.g. "hierarchy," "accountability," "authority," or "level of capability") even when the terms are clear and descriptive.

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SOME OBJECTIONS TO THIS APPROACH

This theory is culture-specific. I heard it does not work elsewhere.

Everything has to start somewhere. Several hundred organizations around the world have now applied this theory or adopted parts of it. They are in the UK, US, Australia, Canada, South Africa, Argentina, The Netherlands, Indonesia, Mexico, India, Russia, and Switzerland. Some four million people worldwide work in organizations that use this theory. Time-span studies have been done in organizations in over 25 countries. Over 20 of *Business Week*'s "Most Admired U.S. Companies" use it. It has been widely adopted in extraction and smelting, in beverages, and in financial services. (No one seems to know why it has flourished in these three industries.)

Scores of PhDs have explored this theory based on research in the UK, the US, Australia, Israel, and Argentina. (One UK thesis was on the Ontario district health councils, one on

multi-national firms in the Republic of Ireland, and another on a Greek oil refinery.) That's eight countries on five continents.

(Note: The culture-specific objection was also leveled against Total Quality. Quality was once viewed as unique to Japanese culture and thus there was no way Western managers could adopt it. Then the US press discovered its originators were Americans: Deming, Juran, Crosby, Shewhart, and Feigenbaum. (See the NBC-TV white paper video, "If Japan Can, Why Can't We?" (1980) or else see the movie/DVD, "Gung Ho!" (1986/ 2002) starring Michael Keaton.)

This theory is too static, rigid, mechanical.

It is useful here to distinguish between the science aspect and the engineering aspect of Jaques's research work. The science contains the laws of cause and effect, e.g. the descriptions of how cognitive capacity matures and of the differing effects of having a manager at the same level of capability as the employee or one stratum more capable or two strata more capable. The science is as rigid as any science; once we have sufficient evidence, we hold the laws as true until there is sufficient contrary evidence to call their truth into question.

Jaques's view of organization design was that it is akin to engineering, an art grounded in a science. The templates and methods work wherever they work. (In *Requisite Organization*, for example, Jaques showed how to modify the compensation templates to better fit local conditions.)

Jaques set forth the rules for aligning the beams and struts so people can work together without generating structurally induced conflicts among themselves. The structure itself must be rigid to allow people room to work, to learn, to achieve goals, to drive the processes, and to grow. The strata are like the floors of a building. Each must be tall enough to allow people to stand upright to their full height.

Brown compared the need for hierarchy to the need for law. Without law, which delineates a space with rules, there can be no "liberty." The rules of law create the "liberty." They are the reverse of tyranny but they are still rules. Anarchy is not liberty, only the absence of rules. That is why it is merely a temporary state, often opening the way to the next tyranny. Without a requisite hierarchy employees can not fully utilize their discretion to get work done. This is a competitive disadvantage for the firm.

In the 1970s and 1980s Jaques called this theory "stratified systems theory" (SST). It is a vertical system of differentiated levels of capability. But also it is a structure of horizontal systems where discretion is used and decisions are made to produce work at each stratum.

Current hierarchies are dysfunctional because their layers are at the wrong heights (usually too low), forcing people to walk around stooped over like cavemen to avoid bumping their heads. The designers of these organizations had no definition of "strata"

that matched human capabilities. Such designs ensure these organizations are dysfunctional and ineffective.

We need flexible organizations and systems so people are free to express themselves.

This approach also gives employees lots of flexibility and lots of opportunity to express themselves. Employees have not only the authority but also the accountability to tell their managers when they believe they have a better idea. And managers are accountable for giving their employees tasks large enough to challenge them. This is not Taylorism, not an attempt to dumb down all work so that it barely requires any judgment at all. Those who expect complete freedom for employees forget that employee compensation is not a grant with no strings attached. Compensation is given in exchange for use of the employee's capacity to exercise judgment, and the manager is the one who determines how that capacity will be best harnessed in service to the organization's strategy. This still allows employees freedom to express themselves but not total freedom.

A key discovery was that many "flexible," "fluid," and "contingent" organizations are too ambiguous for people to focus on the work. Their ambiguity distracts employees from the organization's goals, baffles their intentions, and sets them against each other. Ambiguity makes people anxious and pulls their concentration off the work.

Systems and processes are not loosey-goosey or informal as many people would like to believe. They are dynamic but they are also exact, with the goals of attaining stability (statistical control) and reducing variation. Deming, for one, saw business systems as ongoing scientific experiments to continually improve the system. All variables are held constant except the one being tested. The results are then closely studied by everyone before making a decision to adopt any change. (This is done through quality circles.)

We need lots of change to keep up with the competition. This will get in our way.

Users of Requisite Organization report that it increases their flexibility and they respond quicker and more effectively to the need to change. Every manager in a requisite organization is accountable for the continuous improvement of the processes used by their employees. Improvements are anticipated and prepared for by managers higher in the organization who are accountable to focus further into the future. Finally, when strategic change is required, the structure will be changed to accommodate to it.

Every change is not an improvement. Proposed changes must be tested on the system before they are installed or adopted. There are two types of genuine improvement – continual incremental improvement and zero-stage breakthrough ideas. Both are needed to meet the changing needs and desires of customers today and tomorrow. Both. Continual improvement is pursued by employees and managers working in quality circles. Breakthrough ideas can come from anyone, from anywhere.

Isn't the term "subordinate" outdated and demeaning?

People who work for Big Box Stores, Inc., are not "associates" with the company but are employees in it. By calling them "associates", the firm implies they are somehow grander than employees (and that there is something demeaning about being employees).

If you are my manager, I may make reports to you but I may make them to any number of other people also. Calling me "your direct report" does not describe any important aspect of our relationship. What is important is that my role carries a lower order of authority than yours. My role is subordinate to yours. In fact, I contracted to be assigned to a role that is subordinate to your role when I agreed to be an employee.

Connotations change with use and context. Employees are not fooled by terms like "associate" or "team member" when they know they are in fact employees. Canadians in particular seem sensitive to the word "subordinate." People are not subordinate to each other but roles are. In this theory terms that are descriptive are preferred to ones that have inflated connotations but do not describe reality.

Why is this theory so controversial?

Those of us who agree with the theory don't find it very controversial. New, original, refreshing. It helps explain what happens in the workplace. However, some of the implications of the theory cause other people to react to it with intense hostility. The major controversial issues are hierarchy and in-born differences in individual capability. Often people have attacked Jaques and Brown personally, ad hominem, accusing them of having hidden motives or a secret agenda. If they had one, after fifty years of writing and speaking about this theory, it would have become apparent. They didn't. Some accusations are in the eye of the beholder. But even so, these accusations should be clarified and answered:

> In the 1950s Brown was accused of being a communist - because the theory did not recognize a division between capital and labor. (The theory is on the definition of work and fitting together people and roles. Brown's family owned the Glacier Metal Company until they sold it in 1965. He was a capitalist.)

> The theory has been denounced as promoting authoritarianism, managerialism, Orwellian totalitarianism, and Fascism - because it justified a hierarchy. (The theory tries to reduce role ambiguity, role conflict, and confusion between roles as sources of stress, anxiety, discord, and turmoil, so trust and effectiveness within organizations are increased.) [This is a major point of controversy today.]

> When one Australian firm offered individual contracts to all its employees (and most took them), the theory was accused of being anti-labor. (Jaques, who had already left Australia and was against the offer of individual contracts, bore the brunt of these accusations in absentia.)

In 1983 another UK firm, that had been using this theory since 1965, was sold to its employees (Baxi Group). Under employee ownership the firm continued to prosper. In 2000 it was acquired by a conglomerate, which then took the Baxi name. (No one accused the theory or Jaques or Brown of anything. This is largely ignored by critics – if they ever knew about it.)

When the maturity growth curves were published in the 1960s, Jaques was accused of promoting genetic engineering. (The growth curves show that we grow in capability throughout our lives, not just in childhood as shown by Jean Piaget.) [This is a major reason for controversy today.]

When the US Army adopted this approach ("Be All You Can Be"), the theory was accused of being militarist. (In World War II Jaques served as a Major in the Canadian Army Medical Corps and was stationed in London during the Blitz. Brown directed Glacier Metal in North London during the war at the key task of making internal bearings for aircraft and motor vehicle engines.)

This approach has been used in Southern Africa to assess employees of multiple races for 20 years and has found there are no meaningful work capability differences among them. It has been used in the Third World to help companies grow rapidly, including buying subsidiaries in the US. (The critics don't mention this.)

When Brown proposed a UK-wide board to assess compensation methods and levels in the 1970s, he was accused of being a socialist, anti-free market, anti-free enterprise, and a totalitarian. (Brown was advocating using the theory as a way to address the oil price-shock inflation of the 1970s and to moderate its impact on domestic wage inflation in the UK.)

This theory has been used in government agencies since the 1970s in the UK, Canada, Argentina, Australia, the US, and South Africa to reduce corruption and to increase service levels, public participation, accountability, equity (fairness), efficiency and effectiveness. (Results have gotten better over time.)

I heard Elliott Jaques was an ideologue.

This issue can be addressed in three ways.

First, it is irrelevant. To be sure, those who worked with Jaques found him generous, with an open heart and an open mind. If you find his conceptual framework helpful in making sense of what you know of the world of work, if his science is true, and if his engineering methods and templates are useful to solve organizational problems, they stand on their own. (And if his work does not make it for you, nothing will change that fact.) The issue for a practitioner is this body of work, not the man's personality. Jaques rigorously tested his work using scientific method.

Second, in a sense, of course he was an ideologue. Anyone who develops a unique and comprehensive theory can be considered to be an ideologue. Sir Roderick Carnegie, who worked with Jaques for years as head of CRA in Australia, described him, "Elliott in his work encompassed a persuader, and a clarifier and conviction politician." Bear in mind, this means the founders of Total Quality and Six Sigma -- W. Edwards Deming, Joseph Juran, Walter Shewhart, Kaoru Ishikawa, and others -- also can be described as ideologues (as could Newton, Einstein, Piaget, and so on). So can their followers.

Third, Jaques in fact tested his ideas, read widely, considered advice from clients and colleagues, and did change his ideas when he found they didn't work. What else would one ask of a scientist? The Annotated Bibliography has identified some 650 published mainstream research findings supporting this theory. These researchers never heard of Jaques or Brown yet their results give support to this theory.

The followers of this theory are a cult.

This issue also can be addressed in three ways - similar to the question above.

First, it is irrelevant. Whether those who use this theory are closed-minded cultists or open-minded humanists is not the issue. The issue for a practitioner is the body of work. If the conceptual framework, the science, and the engineering methods are useful in solving organizational problems, they stand on their own. (And if this work does not make sense for you, nothing about those using it will change that.)

Second, in a sense, of course they are a cult. Adherents of this organization theory have a language, definitions, and a set of first principles they share. If you don't know this language, these people may appear to be a clique or cult. Every paradigm has its own language which will sound strange to outsiders. And every paradigm influences strongly how the insider views the world and interprets data, and this separates those who use the paradigm from those outside of it. Further, while the scientific findings in a paradigm (the data and laws of cause-and-effect) are empirically testable, the conceptual framework is not. (See Thomas Kuhn's *Structure of Scientific Revolutions*.)

If you believe axiomatically that all people are gifted equally (though differently) in their abilities, no data will convince you that Jaques's notion of cognitive capacity holds water. And if you believe axiomatically that some people are gifted with greater capacity than others to handle complexity, and are open to the possibility that this capacity might grow in a predictable manner, then no data will convince you that we are all equally gifted. It takes an intellectual crisis to change one's conceptual framework.

Because any paradigm influences one's perceptions and the ways in which one interprets data, its followers will exhibit cult-like behaviour. This is true of advocates of Requisite Organization and it is true of followers of any paradigm. Again, remember that Total Quality was formerly described in the press as cult-like because it inspired "single-minded devotion" in its adherents. They have a theory that helps explain part of the

reality of the workplace. It works. And they are proud of it. Many in the press don't bother to take the time to learn how it works.

Third, one can meaningfully ask whether those who use these ideas are reasonably open-minded. Here there is evidence on both sides. Some practitioners (particularly beginners) treat the engineering templates as universal truths and insist that they be applied universally – even when they do not fit the circumstances. In addition, those inside the paradigm may treat its conceptual framework as proven fact rather than as a set of hypotheses to help make sense of the world of work. This can lead them to treat others' frameworks not just as different but wrong.

On the other hand, most users of Requisite Organization got there from other starting points. Few came to it looking for more effective ways to implement hierarchy. Many came as a result of intellectual crises they had while using earlier approaches - trying to build democracy into the workplace, solve all problems through team building or personality work, or diagnose organization problems without first having a comprehensive model of the healthy workplace. The same open-mindedness that brought many of them into Requisite Organization still operates from within the paradigm.

We must think outside the box, not be trapped inside it.

This is an empty slogan. Ask Enron. Enron always strived to think outside the box. Each time it thought outside the box, it next tried to think outside that one. And then the next. And the next after that. At first, this led to wonderfully innovative ideas and increased profits but it soon created so much change that all control was lost - organizational control, managerial control, financial control, ethical control, legal control. They dismissed all notions of structure. Then sixty-nine billion dollars of market capitalization disappeared in a poof. Enron disintegrated. This was an experiment in repeated relativist change that failed. On second thought, ask the wind.

This "break out of the box" mentality was seen with many of the New Economy dot-coms. They had little or no structure and wasted their limited resources through "horde" management. When a problem surfaced, everyone pounced on it until it was solved. The solutions were sometimes swift. But just as often, most of the people focused on useless and off-point efforts while one person solved the problem. This was a monumentally ineffective waste of time and resources. All of this was well-documented in the press yet everyone seemed oblivious to the waste. Bye-bye, Flipper.

Requisite organization structure allows people to work at their full level of capability. This is generative and creative. People are creative in this environment – because they are not trapped in the caves of current organizations yet they still have a context, purpose and goals.

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One final note: The research and data underlying these FAQs are in the Annotated Bibliography. Before you plunge into that, however, please read *Executive Leadership* by Elliott Jaques and Stephen D. Clement, or some other introductory work.

Kenneth Craddock, New York
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Cinco de Mayo, 2005

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