

*Why Hierarchy is Important*

## Getting Work Done at the Right Level

*Ken Shepard PhD and Don Fowke FCMC*

Flat organizations are fashionable. Hierarchies are seen as bureaucratic, rigid. But the truth is that high performance organizations need structures designed with a correct number of levels. Well designed hierarchy is key to getting work done at the right level, and to accountability for results.

Elliott Jaques has given us a theory of hierarchy that allows us to design organizations just so. Basically, a manager needs to be able to set the context for his subordinates.

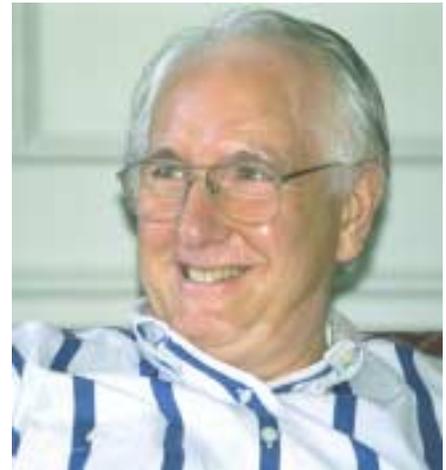
A first line manager provides the annual context for the day to day, month to month operating personnel. Middle managers pull units together to provide coherent functional performance on a two year rolling time horizon. General managers integrate functions in a plant or program looking two to five years down the road. Business unit managers lead strategically with a seven-year vision. And in larger companies, or major government departments, corporate CEO or Deputy Ministers guide the long term positioning of the portfolio looking 10 – 20 years down the road.

Any more than these six levels in a large organization are usually too many: fewer or flatter is simply not enough. Smaller companies can operate with four or five levels, very large companies with seven or even eight.

Each progressive level is a step up in complexity. And each requires a

***Cancer costs to society include the greatest number of person years of life lost . Experts believe that there are a number of high impact, 5 – 10 year strategic cancer prevention and control initiatives that could substantially reduce this toll.***

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Ken specializes in strategy formulation, organization design, and strategy implementation.

His interventions include coaching to leaders, top management team building, strategic planning, organizational design, talent pool development, installing effective accountability structures and management practices, and major cultural change.

He is Principal with the Canadian Centre for Leadership and Strategy. He founded the management of change program at the Niagara Institute and directed it for a decade.

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Ken earned his doctorate in management from the University of California at Los Angeles.

Ken's practice is largely based on Requisite Organization concepts developed by Elliott Jaques.

**Spring 2001, Volume 13, Number 1**

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## Elliott Jaques: Requisite Organization

Canadian born organization theorist Elliott Jaques has given us a theory of structure to guide the design of organizations, roles and compensation systems.

He features a hierarchy of levels based on orders of complexity, and the idea that the time span of discretion at each level reflects the complexity of the managerial job.

Jaques holds an MD from Johns Hopkins, a PhD from Harvard, and is a member of the British PsychoAnalytical Society.

His work also supports a parallel theory of Complexity of Mental processing that indicates capacity of individuals to handle each level. See E. Jaques, *Requisite Organization*, Cason Hall, 1996, E. Jaques and K Cason, *Human Capability*, Cason Hall, 1994.

Related research estimates US presidential candidates at the time of their election as follows: Carter Level 5, Reagan Level 7, both George Bush Level 6, and Clinton Level 6. See Alison Brause PhD, "Summary of and Investigation of Presidential Elections Using the Jaques/Cason Construct of Mental Complexity", December 2000.

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step up in capacity of mental processing to handle the complexity.

The point of all of this is that it is important for managerial work to be done at the right level. Three examples make the point.

**Cancer Prevention and Control:** Cancer is second only to heart and stroke disease in importance in the health of Canadians. And steps to prevent Cancer, such as reducing smoking, eliminating carcinogens from the food supply, etc., have major potential to reduce the incidence of the disease.

Historically, management of the cancer file in Ottawa has been at a low level in the organization, typically at first line management. In a reorganization in 1994, Health Canada elevated the cancer file to the Director or third level. This brought more resources to bear on the file, allowed doctors with community health experience to be recruited into new Chief or front line management positions, allowed attention to more complex, longer term tasks, and encouraged coordinated action with provincial governments.

In terms of getting work done at the right level, these changes were not enough. Cancer programs need to be managed in the 5 – 10 year context so that, for example, the necessary data/surveillance systems can be implemented and complex coordination with the provinces and external agencies can be achieved. The cancer file needs more Assistant Deputy Minister, or fifth level, time than it gets, and it clearly needs dedicated leadership at the Director General or fourth level of management.

Cancer costs to society include the greatest number of person years of life lost and up to 64,000 deaths per year. Experts believe that there are a number of high impact, 5 – 10 year strategic cancer prevention and control initiatives that could substantially reduce this toll. Getting work done at the right level here would have big payoff.

**High-Tech: Growing the Business:** In the high-tech world, a successful startup eventually faces the challenge of building a management structure capable of delivering in large scale, often over broad geography. High-tech startups are often collegial, creative organizations with a Peter Pan quality. They need structure, discipline and hierarchy to manage beyond the go-go stage. Very often, startups are populated by young people in their twenties and early thirties whose exuberance, imagination and enthusiasm and willingness to work endless hours have spelled success.

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Typically the venture capitalists financing the company insist that a CEO or managerially skilled leader be brought in to move the company from embryo to a functioning business. The man or woman recruited as CEO is usually a level 5 individual capable of growing into a level 6 within, say, a five-year period. The problem is that team leaders inside the company cannot grow fast enough to take on the higher complexity managerial roles. A twenty five year old with long term potential to manage a business unit at level 5 during his forties is three to ten years away from having the complexity of mental processing needed for a general management role at level 4. Yet

# Critical Levels for Key Functions

	CANCER PREVENTION AND CONTROL	HI-TECH GROWTH BEYOND STARTUP	PROFESSIONAL COMPANY H.R. CAPACITY
Level 6 Corporate CEO Time Span: 10 - 20 Yrs	Deputy Minister		President and CEO
Level 5 Business Unit President Time Span: 5- 10 Yrs	Assistant Deputy Minister	"CEO"	Divisional Vice Presidents
Level 4 General Manager Time Span: 2 - 5 Yrs	Director General	Vice-Presidential Support Needed	Unit General Managers
Level 3 Mid-Manager Time Span: 1 - 2 Yrs	Director of Bureau	High Potential Twenty Somethings	Senior Project Professionals Training Director
Level 2 First Line Manager Time Span: 3 mo. - 1 Yr	Chief of Division or Senior Professional	Designers, Programmer	Project Professionals
Level 1 Operator, Worker, Clerk Time Span: 1 day - 3 mo	Junior Professional	Coders, Testers	Foremen, Workers

the new CEO needs vice-presidential support at level 4 to do his job properly. This is a major tension and cause of turmoil in companies of this kind, because bypassing inside leaders and recruiting managers en mass from outside can destroy the cultural fabric. Yet failure to get the work done at the right level will surely stunt the growth of the business.

**Professional Firm: Human Resources:** A large scale, geographically diversified, project management company employs 100 professional engineers and

about 1000 workers. As is common in professional companies, the human resources functions are performed largely by line managers. Recruiting, selection, mentor-

*“in getting work done at the right level it is important to take a dynamic view”*

ing, training and development, performance management, etc. are seen as central to the management of the level 2 and level 3 professionals. The accountability of level 5 division vice-presidents

and their local unit managers at level 4 features building and maintaining a team of project managers capable of executing complex engineering projects in a profitable way.

Support functions, like candidate identification, pension and benefits administration, etc. are outsourced, as are top level Corporate Talent Pool assessments. Growth has raised training and development needs that outstrip the company’s traditional coaching and mentoring style. As the business evolves from a level 5 operating company to a level 6 international corporation, the question arises, “Does the business need a Level 4 Human Resources executive?”

It’s a good question. Major corporations are moving to outsource more and more human resources functions, from the level 1 and 2 clerical and systems functions, up through expert design of compensation systems, and including advice on succession planning and talent pool management. The answer is to recruit at level 3 for a human resources director with deep experience in the design and implementation of training systems. The candidate specification is for a man or woman in their thirties or forties operating at level 3 and with the capacity to grow into a level 4 in 3 – 5 years capable of handling the complexity of generally managing the human resources function as a peer to divisional unit managers across the system. This organic solution addresses the top priority training need in a specific way while providing a development path consistent with the changing needs of the company. It illustrates that in getting work done at the right level it is important to take a dynamic view.

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