



Presents:

Requisite Organization Theory—Identifying Succession Candidates

by

The Corporate Executive Board

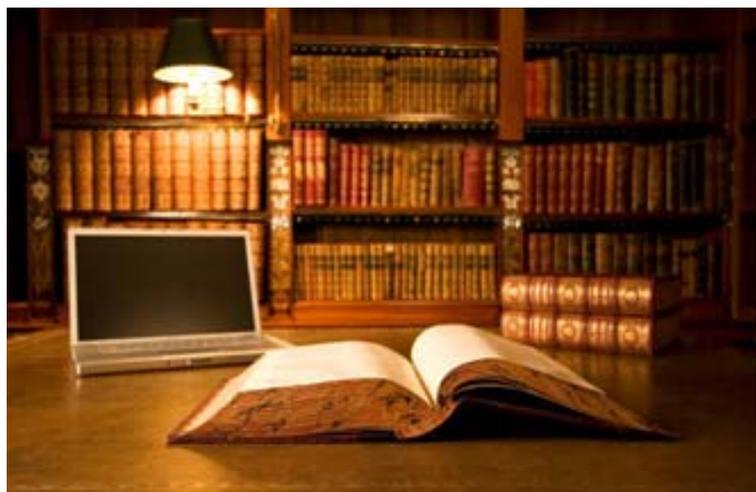
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KEY FINDINGS

Succession Management

Requisite Organization Theory and Adapted Member Practices

This brief addresses Elliott Jaques' Requisite Organization Theory (originally referred to as Stratified Systems Theory) as it applies to succession management, and profiles member succession management practices adapted from or similar to Jaques' theory.

REQUISITE ORGANIZATION THEORY—IDENTIFYING SUCCESSION CANDIDATES

According to Jaques' Requisite Organization Theory (RO), an employee's potential capability is the key factor in identifying talent within a succession management strategy and is measured in the unit of time-horizon. The following table addresses these two terms:¹

Potential Capability—In RO, potential capability (PC) is the cornerstone of identifying critical talent within a succession management strategy. Jaques defines PC as:

A person's highest current level of mental complexity, or the maximum level at which someone could work at the present time, given the opportunity to do so and provided that the work is of value to him/her, and given the opportunity to acquire the necessary skilled knowledge. This level of work is the level that people aspire to have and feel satisfied they can get. When people have work at their current PC, they feel they have an opportunity for the full expression of their capability.²

Time-Horizon—An individual's time-horizon is the length of time into the future that (s)he can plan and work. Making plans and carrying them out in the future requires an increasing amount of complex mental processing the further the distance into the future. It follows that ability to handle complexity of mental processing is proportional to potential capability. Therefore, one's ability to plan into the future, or time-horizon, is the unit by which potential capability is measured.³

Evaluating Potential Capability—Within this theory, managers-once-removed (MoRs) evaluate subordinates-once-removed (SoRs) and subordinates-twice-removed to determine potential capability. The following figure addresses key considerations in evaluating employees' potential capability:⁴

Figure 1: Questions for Considering Potential Capability

1. Indicate at which stratum* you judge the individual to have the potential capability to work right now:

		Check ✓	
Two strata higher than current role (MoR's own level)	High	<input type="checkbox"/>	<input type="checkbox"/>
	Medium	<input type="checkbox"/>	<input type="checkbox"/>
	Low	<input type="checkbox"/>	<input type="checkbox"/>
In between Strata		<input type="checkbox"/>	<input type="checkbox"/>
One stratum higher than current role (As an immediate subordinate of the MoR)	High	<input type="checkbox"/>	<input type="checkbox"/>
	Medium	<input type="checkbox"/>	<input type="checkbox"/>
	Low	<input type="checkbox"/>	<input type="checkbox"/>
In between Strata		<input type="checkbox"/>	<input type="checkbox"/>
In current stratum	High	<input type="checkbox"/>	<input type="checkbox"/>
	Medium	<input type="checkbox"/>	<input type="checkbox"/>
	Low	<input type="checkbox"/>	<input type="checkbox"/>
In between Strata		<input type="checkbox"/>	<input type="checkbox"/>
One stratum lower (Unable to cope with role)	High	<input type="checkbox"/>	<input type="checkbox"/>
	Medium	<input type="checkbox"/>	<input type="checkbox"/>
	Low	<input type="checkbox"/>	<input type="checkbox"/>

2. Does the individual have the relevant values and skilled knowledge to apply his or her full potential capability in the company now?

- If yes, in what types of work?
- If no, could he or she do so if given special training and development opportunities?

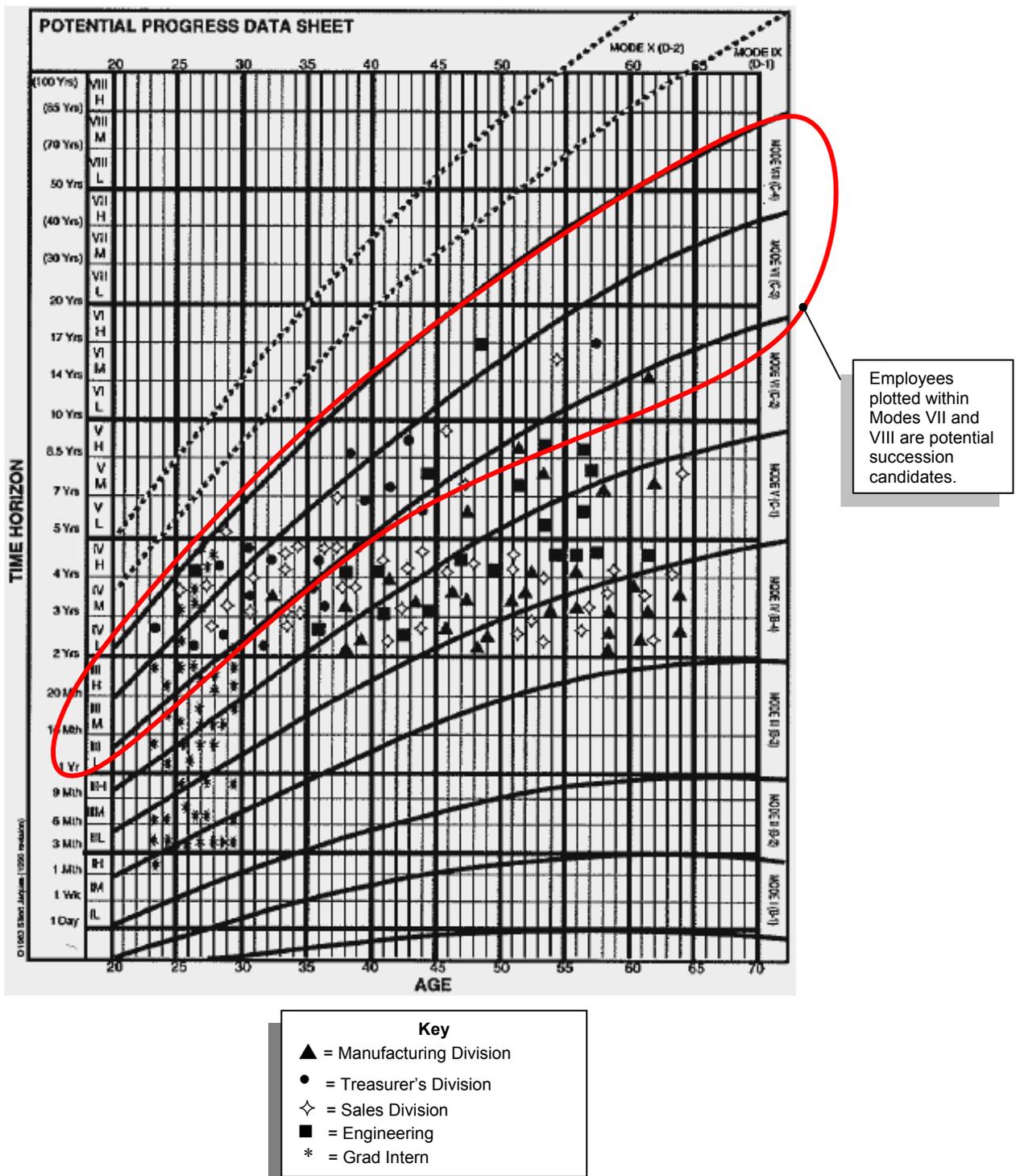
3. What actions do you (the MoR) recommend?

*Please see Appendix for a table defining the strata used in Requisite Organization Theory.

REQUISITE ORGANIZATION THEORY—IDENTIFYING SUCCESSION CANDIDATES (CONTINUED)

Within RO, organizations identify critical talent within a succession management strategy by plotting employees' age and time-horizon on a Potential Progression Data Sheet (see Figure 2). This data sheet allows organizations to visualize the career trajectory of employees and select succession candidates accordingly.⁵

Figure 2: Potential Progression Data Sheet



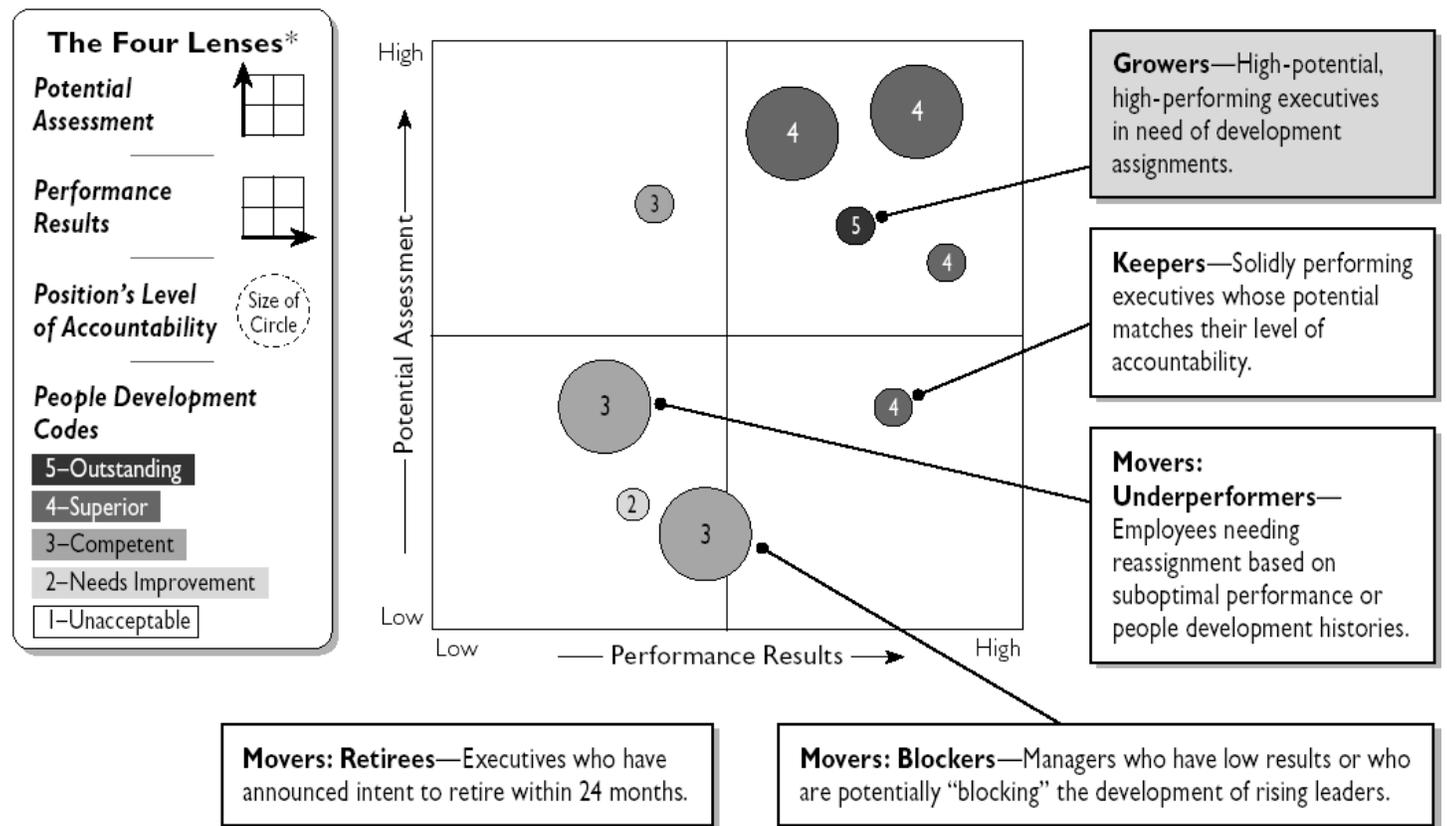
ADAPTED MEMBER PRACTICES—IDENTIFYING SUCCESSION CANDIDATES

Member organizations evaluate potential succession candidates on criteria similar to potential capability assessed in RO. While all employees are assessed using potential capability within RO, members use the profiled practices below to assess a pre-selected group of employees designated as high potential. Member practices similar to RO are profiled below:

Johnson & Johnson’s “Folio Map”

Johnson & Johnson evaluates executives according to four dimensions: performance results, record of people development, evaluations of potential, and position accountability level (span of control). These dimensions enable segmentation of the organization’s talent “assets” into three categories: growers, keepers, and movers. Conversations with senior executives then focus on the growers and movers to ensure focus on executives with the greatest potential long-term impact on the business. The following chart details Johnson & Johnson’s executive evaluation process.⁶

Figure 3: Johnson & Johnson’s “Folio Map”

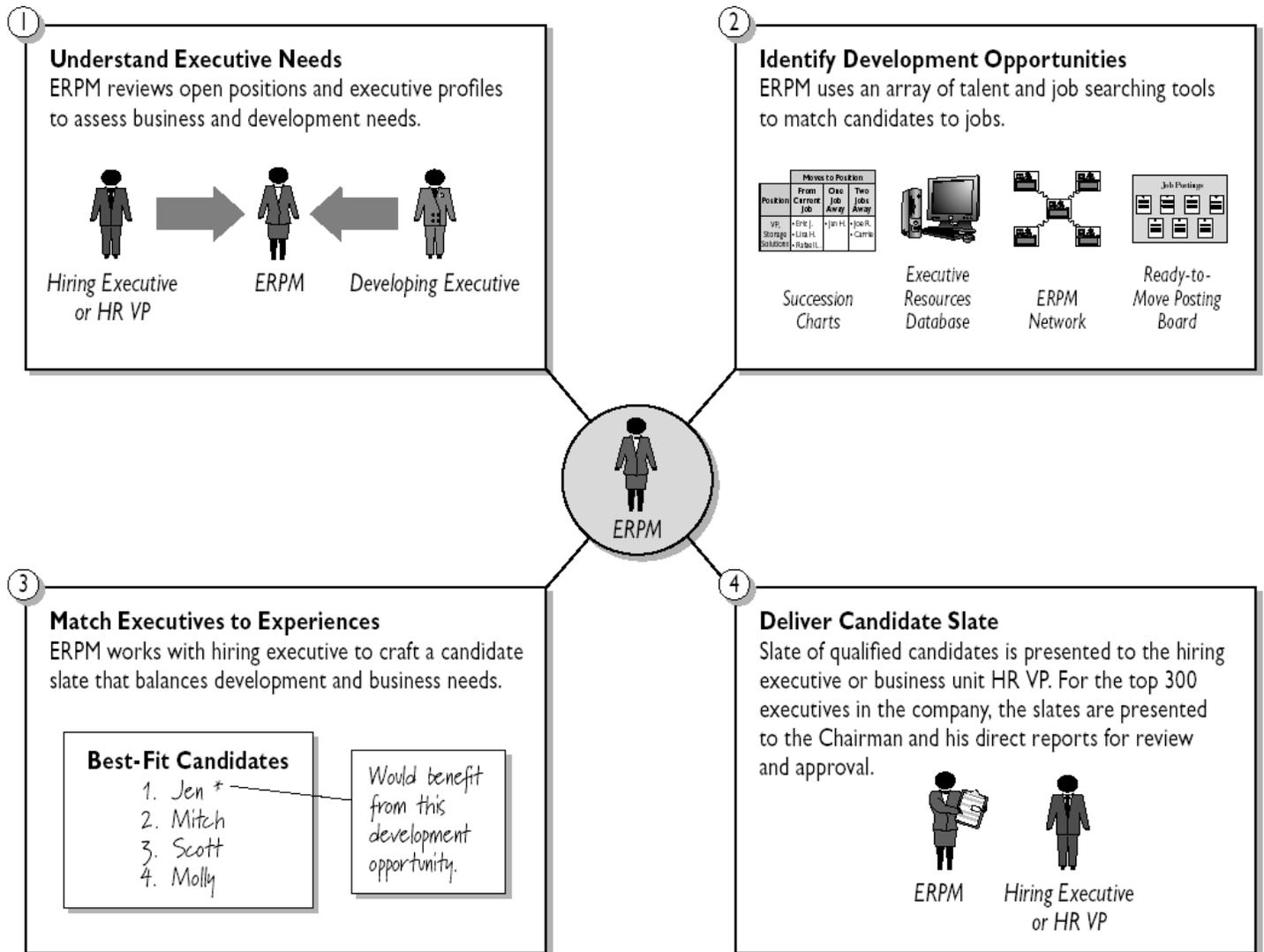


ADAPTED MEMBER PRACTICES—IDENTIFYING SUCCESSION CANDIDATES (CONTINUED)

IBM's Development-Based Succession Plans

IBM evaluates candidates for succession based on the number and type of jobs they have held. During succession discussions, executives are evaluated through three lenses: required development experiences, executive competencies, and individual derailment factors. Executives' development plans detail the experiences needed to fill skill and competency gaps. The following figure details IBM's executive evaluation process:⁷

Figure 4: Executive Resource Program Manager Actions



ADAPTED MEMBER PRACTICES—IDENTIFYING CRITICAL TALENT FOR SUCCESSION (CONTINUED)

Schlumberger Limited’s Development Move Opportunities

As part of business unit succession plans, managers at Schlumberger nominate at least three successor candidates for each leadership position. These “ready in the future” candidates are considered for move opportunities as vacancies appear in other business units. These moves are developmental stretch opportunities across business units where business risk is deemed manageable. Schlumberger’s tool is designed to assess talent by analyzing long-term business benefit versus short-term business risk. The following figures detail Schlumberger’s executive evaluation process:⁸

Figure 5: Development Move Risk-Return Analysis

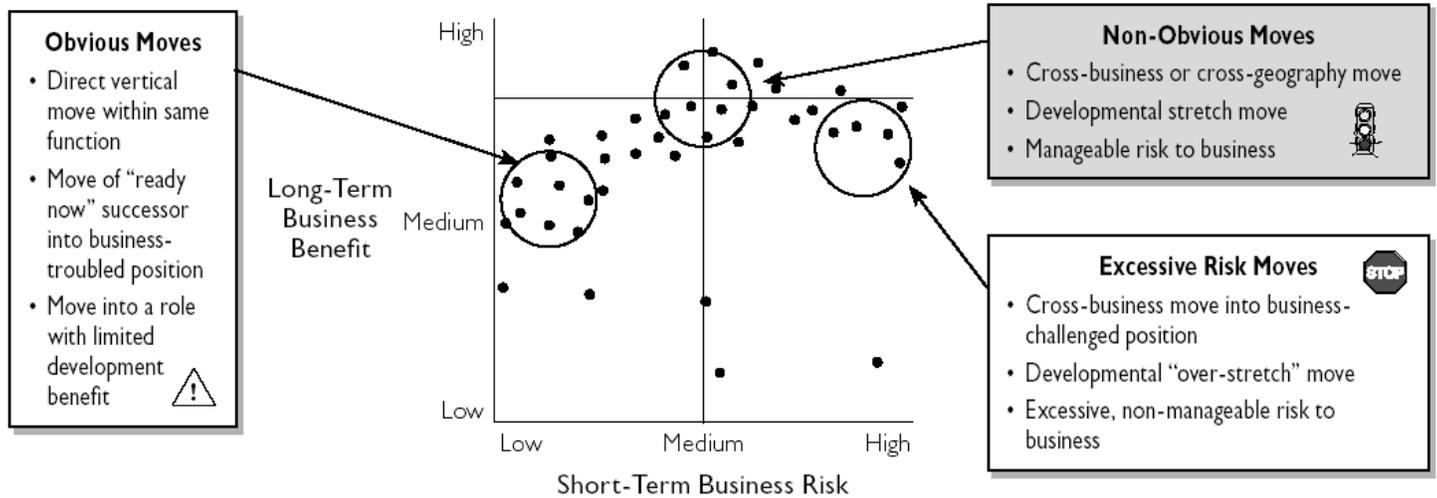


Figure 6: Decision Rules for Evaluating Benefits and Risks to the Business

Benefit Considerations	Risk Considerations
<input type="checkbox"/> New skill set needed to develop new product or customer segment? <input type="checkbox"/> Opportunity to introduce new customer network to business? <input type="checkbox"/> Identified cross-enterprise business opportunity? <input type="checkbox"/> Gains from cross-organizational best-practice sharing? <input type="checkbox"/> Other gains resulting from broader skills and experiences among senior team?	<input type="checkbox"/> Struggling business? <input type="checkbox"/> Need for stability in role? <input type="checkbox"/> Credibility with client in question? <input type="checkbox"/> High importance of developed informal networks? <input type="checkbox"/> Critical need for specialized knowledge?

APPENDIX: TITLING SYSTEM WITHIN REQUISITE ORGANIZATION THEORY

The following system of titles is used in Requisite Organization theory:⁹

Stratum	Managerial	Specialist
Str-VII	President or CEO	n/a
Str-VI	EVP	Corporate Explorer, etc.
Str-V	President or VP	Group Metallurgist, etc.
Str-IV	General Manager	Principal Chemist, etc.
Str-III	Unit Manager	Senior Geologist, etc.
Str-II	First-Line Manager	Personnel Officer, Geologist, etc.
Str-I	First-Line Employee	Operator/Clerk

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¹ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*, Arlington, VA: Cason Hall & Co., 1998.

² Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*.

³ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*.

⁴ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*.

⁵ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*.

⁶ Corporate Leadership Council, *High-Impact Succession Management: From Succession Planning to Strategic Executive Talent Management*, Washington: Corporate Executive Board (December 2003).
 (Accessible through <https://www.clc.executiveboard.com/Members/ResearchAndTools.aspx/5287475>)

⁷ Corporate Leadership Council, *High-Impact Succession Management: From Succession Planning to Strategic Executive Talent Management*.

⁸ Corporate Leadership Council, *High-Impact Succession Management: From Succession Planning to Strategic Executive Talent Management*.

⁹ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*.