Presents:

Requisite Organization Theory—Identifying Succession Candidates

by

The Corporate Executive Board

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A Quiet Place

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Founded in 1983, the Corporate Executive Board is headquartered in Washington, D.C. Our 1,700 staff, located around the world, directly serves over 200,000 business leaders, in more than 4,800 of the world’s best companies.
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:

<table>
<thead>
<tr>
<th>Potential Capability</th>
<th>Time-Horizon</th>
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</thead>
</table>
| According to Jaques’ 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.  

| 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. |

**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:

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

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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

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**Figure 2: Potential Progression Data Sheet**

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**Key**

- ▲ = Manufacturing Division
- ● = Treasurer’s Division
- ♦ = Sales Division
- ■ = Engineering
- * = Grad Intern

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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:

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

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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:  

Figure 4: Executive Resource Program Manager Actions

1. Understand Executive Needs
   ERPM reviews open positions and executive profiles to assess business and development needs.

2. Identify Development Opportunities
   ERPM uses an array of talent and job searching tools to match candidates to jobs.

3. Match Executives to Experiences
   ERPM works with hiring executive to craft a candidate slate that balances development and business needs.

4. Deliver Candidate Slate
   Slate of qualified candidates is presented to the hiring executive or business unit HR VP. For the top 300 executives in the company, the slates are presented to the Chairman and his direct reports for review and approval.
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:

Figure 5: Development Move Risk-Return Analysis

- **Obvious Moves**
  - Direct vertical move within same function
  - Move of “ready now” successor into business-troubled position
  - Move into a role with limited development benefit

- **Non-Obvious Moves**
  - Cross-business or cross-geography move
  - Developmental stretch move
  - Manageable risk to business

- **Excessive Risk Moves**
  - Cross-business move into business-challenged position
  - Developmental “over-stretch” move
  - Excessive, non-manageable risk to business

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

<table>
<thead>
<tr>
<th>Benefit Considerations</th>
<th>Risk Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>New skill set needed to develop new product or customer segment?</td>
<td>Struggling business?</td>
</tr>
<tr>
<td>Opportunity to introduce new customer network to business?</td>
<td>Need for stability in role?</td>
</tr>
<tr>
<td>Identified cross-enterprise business opportunity?</td>
<td>Credibility with client in question?</td>
</tr>
<tr>
<td>Gains from cross-organizational best-practice sharing?</td>
<td>High importance of developed informal networks?</td>
</tr>
<tr>
<td>Other gains resulting from broader skills and experiences among senior team?</td>
<td>Critical need for specialized knowledge?</td>
</tr>
</tbody>
</table>
APPENDIX: TITLING SYSTEM WITHIN REQUISE ORGANIZATION THEORY

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

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

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