Fit For Purpose: Strategy and Innovation

Background

At a practical level, much of the organisation design work done by TalentLine Consulting uses Levels of Work Theory to help clients design their organisation and work in a manner that creates clear boundaries and interdependencies. This facilitates individual clarity of purpose and expectation, and collective alignment and focus.

Clearly, such a focus on individual and collective responsibilities and accountabilities is a key variable in the degree to which the organisation is able to articulate and implement strategies that will lead to sustainable competitive advantage.

With clarity on strategy and the appropriate organisation and work design, there is also a much-improved ability to clearly define and develop the leadership behaviours that will ensure the successful execution of strategy.

Finally, it is the role of leadership to also ensure that the organisation has the appropriate talent to meet strategic needs now and in the future. These four issues, namely strategy, organisation design, leadership and talent management are in our view the cornerstones of ensuring that you have a fit for purpose organisation.

Of course, these four dimensions are fully interdependent as is shown in the diagram.

In this, the first article, we will specifically focus on strategy and innovation, a topic that is seen by organisations and leaders throughout the world as the key business challenge for the future.

In the second article we will focus on the principles and practicalities of requisite organisation design using the principles of levels of work theory.

In the third article we will share some of our experiences in helping organisation design leadership strategies and interventions using levels of work as a baseline for both assessment and development interventions and processes.

In the final article, we will focus specifically on talent management, again within the
context of the principles of levels of work theory.

Readers of the four articles should by then have a very clear understanding of the manner in which a cohesive and unified approach to these four issues can greatly assist at a very practical level to ensure individual and organisational efficiency and effectiveness.

Levels of Work Theory

As the common thread running through the four articles is levels of work theory (the practical outflow of the Requisite Organisation work by Elliot Jaques) a high level summary will be useful to those that have not been exposed to it before. It should be stated up front that the work associated with requisite organisation design is known by a number of terms, such as stratified systems theory, matrix of working relationships and levels of work theory. While there may indeed be some philosophical and academically founded reasons for the different terms, we will use them interchangeably in this article.

Six discoveries marked the development of Jaques’s theory from mainstream research on organizations: the “social analysis” methodology (Rowbottom 1977), which began in the late 1940s and extended over 15 years; the recognition of linked “managerial authority and accountability” around 1950 (Jaques 1951); the discovery of “time span of discretion” (TSD) in 1953; the discovery of “felt-fair pay” (FFP) the next year (Jaques 1956); strata based on differential behaviour (Jaques 1961), and, the discovery of “levels of abstraction” in work roles by Dr. D. John Isaac, Jaques, and their Brunel colleagues (Jaques, 1978).

Essentially, Types of Work suggests a general model of organisational functioning such that there are increasingly complex critical tasks or requirements at each successive organisational level, and that effective leaders address these tasks. The increasing task complexity is a function of the uncertainties created by the necessity to deal with a more encompassing and turbulent environment as a leader moves up the hierarchy. Higher-level leaders themselves must possess higher levels of cognitive complexity to deal with the increasingly more demanding critical tasks as they move up the organisational hierarchy.

All organisations show this stratification into levels of management associated with some form of accountability between individuals or groups working at these levels. Research has frequently revealed the existence of too many, or less often too few, levels of management.

Confusion about the work expected at each level in the organisation is common. Such mistakes present as intractable day-to-day problems and complaints like ‘too much red-tape’, ‘failure to implement policies’, ‘understaffing and overwork’, ‘role confusion’, ‘line and staff conflict’, ‘insufficient delegation’, ‘duplication of decisions’ and so on (Kinston & Rowbottom).

The time spans (for jobs) break naturally, according to Dr. Jaques, into different levels, which he calls “strata.” The fit between time-horizon levels and strata determines how comfortable we will feel at various positions in a hierarchy. In a requisite organization, the job or role of each leader/manager is assumed to be one level of complexity higher than the directly reporting roles or jobs at the stratum below (Kleiner).

The theory arose from the discovery, through widespread testing over a long period, of a systematic structure of
successive levels within organisations, each level creating a new and more extensive context within which work must be done.

One dimension of this context, which can readily be measured, is the time-span of the longest task in each level. At the lower levels, the longest task will be completed in a year or even in a day; at the higher “strategic” levels the longest tasks may not be completed for twenty years or more. These levels of work complexity for the first five levels can also be described according to themes of work complexity (Olivier, 2003:32) as per the table below.

<table>
<thead>
<tr>
<th>Organisational work themes</th>
<th>Level of competency</th>
<th>Time Span</th>
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</thead>
<tbody>
<tr>
<td>Quality (Type I)</td>
<td>Competent “hands-on skills” to complete a task or activity</td>
<td>1 day to 3 months</td>
</tr>
<tr>
<td>Service (Type II)</td>
<td>Competent in supporting and co-ordinating workers to achieve set standards</td>
<td>3 months to 1 year</td>
</tr>
<tr>
<td>Practice (Type III)</td>
<td>Competent in constructing, connecting and fine-tuning systems to optimal utilisation of resources</td>
<td>1 year to 2 years</td>
</tr>
<tr>
<td>Strategic development (Type IV)</td>
<td>Competent in integrating new futures, new services and products including positioning the organisation within the market context</td>
<td>2 years to 5 years</td>
</tr>
<tr>
<td>Strategic intent (Type V)</td>
<td>Competent in a unified work system by understanding the organisation’s purpose</td>
<td>5 years to 10 years</td>
</tr>
</tbody>
</table>

Mastering what each type entails and the challenges involved in making each transition will enable organisations to respond to changes and threats in the business environment through appropriate strategy and innovation.

This high level summary does no justice to the depth of the theory and research associated with levels of work, and readers of this article are encouraged to visit www.globalro.org, the website of the Global Organisation Design Society for more information on requisite organisation and levels of work. For our purposes however, the high level insight that work inherently has different levels of complexity should suffice.

### Strategy and Innovation

Given the preceding background, we can now focus on the main topic of this first article, namely strategy and innovation.

Strategy and innovation are both required to achieve sustainable competitive advantage. Strategy starts with a conscious decision to pursue a specific competitive business strategy. Business engages in strategic thinking, strategy formulation and innovation to ensure sustainable competitive advantage by making the appropriate decisions based on environmental conditions and opportunities.

Innovation, which will always form part of such competitive strategy, has to do with commercializing opportunities, improving and doing things in different ways (Goldman & Nieuwenhuizen, 2006:4).

Henry Mintzberg, author of the classic management text – The Rise and Fall of Strategic Planning, has studied what really happens under the guise of Strategic Planning. His findings are eye catching where at least 90% of the results projected in the formal strategic planning processes never come to fruition. Instead they fall by the wayside, vanishing into the limbo of “unrealized strategy”. At this point it is important to ask what the role of leadership is to successfully strategise and innovate to unlock current and future value.

Based on the levels of work theory, the assumption is made that leaders at different levels all are involved with strategy and innovation within the
organisation, but each contributes differently depending on their role and focus within the organisation. Because how you innovate will affect what you innovate, it is vital for organisations to understand which leader roles and capabilities are required to enable different types of innovation such as radical, incremental or efficiency innovation. Different types of innovation will also require different types of management, investment, resources and funding (Davila, Epstein & Shelton, 2006:40). Some examples will illustrate this principle.

From a strategic intent and development perspective, strategy and innovation is about positioning the organisation in its competitive landscape through innovation focusing on new products or services. Leaders who function at these levels of work will shape the strategic intent and purpose of the organisation and be competent in integrating new futures, services and the overall positioning of the organisation within the market. They will translate new trends into business opportunities to leverage changes in technology and new business models. They will radically redefine their value proposition and develop new business models to leverage growth in achieving their strategic intent. These innovations could be described as revolutionary and radical. A classic example is the refrigeration industry. During the 19th century, ice was harvested from lakes, stored in caves to limit melting and transported as perishable goods. In the early part of the 20th century, revolutionary technology – refrigeration – radically changed the industry.

Leaders who function at best practice level will be more concerned about driving semi-radical innovation through implementation of the business strategy. The growth in technological developments, for example, has forced businesses to change the way they do things. Leaders at this level will be required to implement new business models, systems and practices for effective operational execution. When for example steam technology radically transformed transport in general, semi-radical innovation was required to develop new systems, processes and practices to enable safe means of using steam technology for sea transportation. Thus semi-radical and incremental innovation might be a sustainable strategy for long periods of time, before a radical revolution redefines the industry.

Team leaders or supervisors focusing on service and customer satisfaction, will be concerned about incremental and efficiency innovation in implementing the strategy. These forms of innovation are the most prevalent forms of innovation in companies, often receiving more than 80 percent of the company’s total innovation investment (Davila, Epstein & Shelton, 2006:40). This type of innovation is a way to extract as much value as possible from existing products and services without making significant changes or major investments. For example automotive components and systems supplier Magna International, innovation is built into the “organizational culture” that outlines the company’s core principles – one of which is to foster innovative thinking on the part of employees to improve customer satisfaction and service delivery.

**Concluding Remarks**

As can be seen from the preceding, strategy and innovation means different things at different levels of work. Strategy is therefore both an innovation and leadership issue because how you strategise will affect what you need to innovate. It is vital that the right leadership roles and capabilities are in place to
support the strategy and innovation mandate.

In our work with client systems, we therefore initiate strategy and innovation processes by conducting a readiness audit to determine if the organisation has the fit for purpose organisation structure and capabilities in place to execute their strategy and innovation mandate. The readiness audit brings into focus the feasibility of successful implementation of the business strategy. It provides strategic insights towards why, what and how the organisation needs to change and develop core capabilities as a prerequisite for successful implementation of the strategy and innovation mandate.

In the next article in the Fit for Purpose series, we will share with you some of our thoughts and experiences on organisation and work design.

List of Sources


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