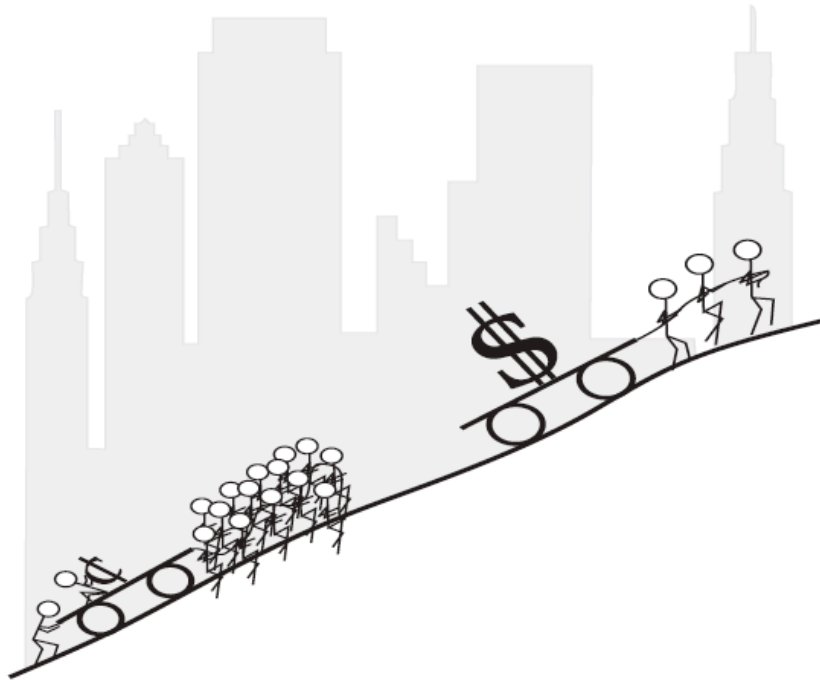


Leaders who transform organizations: Finding the factor for success

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How many times have you heard of individuals in the workplace who have made history by turning stumbling businesses into fluid, focused, vibrant, pacesetter, organizations? How many times have you wondered what it was that differentiates these individuals from the thousands of others, equally talented individuals, who strove for such goals but failed to obtain the same triumphant results? Recent research, which has identified what could be the 'missing link' in the nature of transformational leaders, promises to have a significant impact by increasing the rate of success of future transformational endeavors.

Since the late 1970's, leaders of American corporations have been struggling to transform their organizations into more effective and more efficient, more fluid and more focused organizations. Over the last two decades, theorists have continued to research the behaviors and the personality traits of leaders. They have even included ego development in their equation to discover the basic substance of leaders who are able to institute the changes required to transform organizations. Although their understanding has been enhanced, experts in the field of organizational change agree, that of those who try to bring about significant change in their organizations, most fail and only a few achieve BIG results.

The question being asked is why so many managers and executives either fail, or attain less than they expect, when attempting to institute TQM, reengineering, or transformation into a learning organization? As a Human Sciences researcher, I have been seeking an answer to this question since 1981. My research has revealed a single specific leader competency which, when matched with a specific characteristic of his or her role, will significantly improve the current rate of success which stands at a dismal 20%.

Vignettes of Three Successful Transformations

The idea for identifying this key ingredient grew out of Dr. Elliott Jaques' observation that the layers of complexity of work match individual ability to deal with complexity. This initial impression was validated in a study of successful transformations. Three of these that occurred in well-known US corporations

are described in this paper and their findings lead to progressive and practical applications. A synopsis of these corporate transformations follows: the facts are authentic, the names of the individuals concerned have been changed.

Vignette 1

Phil was asked to give up his role as production manager to take over the top human resources position in his division. Although he had a number of reasons for not wanting to, he accepted the offer. In the 26 years since then, the organization has changed enormously. In Phil's view his challenge was to drive the organizational change via the HR function in a way that supported individual department leaders' efforts but remained transparent. This process of diffusion in which HR-driven changes were always orchestrated through operational leadership developed into what Phil calls "pragmatic competency." The organization now demonstrates competency at every HR level including sociotechnical work design, team-based manufacturing, SPC, pay for skills and knowledge, and intrinsic motivation. In the process they achieved a key goal of becoming the employer of preference in their geographical area and they now have a list of pre-approved candidates wanting to work when vacancies occur. Phil mentions that it was imperative that the process include the creation of an environment for continuous improvement and that roles be redesigned so as not to destroy motivation. These goals were highly progressive 3 decades ago, but given the successful results of this transformation, it is hardly surprising that Phil's accomplishments have been documented by academicians as exemplary of the effective diffusion of advocacy work systems.

Vignette 2

Chuck had run a worldwide construction activity and then headed up a successful corporate TQM effort. Approximately five years ago the company decentralized its operating divisions. One particular corporate staff function was losing its support from the operating divisions. Since the staff function now had to compete against the market when offering its services, no sales to the divisions meant no income. In a short time this would mean elimination of the staff function. The corporate EVP responsible calculated that he had a maximum of two years to turn the staff function around. Three years ago, when Chuck was asked to rejuvenate the ailing function, the divisions were complaining that the service offered had become stale. The function was not providing the original, innovative and efficient support they needed. Chuck rose to the

challenge and after 18 months under his direction the divisions were so excited about the services being provided that the staff had to find creative new ways of leveraging their resources to meet the growing demand.

Vignette 3

Since Gerry took over the responsibility for corporate research about four years ago, a metamorphosis has taken place in the sophistication of the process used to focus the resources of the research division. Once the closed activity of a tight group, the process is now open and actively involves over 20 individuals in evaluating the potential of various courses of action and arriving at the critical few to be pursued. The research division has greatly increased its responsiveness to and cooperation with the operating divisions. They have already shown an increase in the expected contribution to meeting future sales and strategic marketing goals. Over the last four years the research function has moved from the 40th percentile to the 80th percentile of corporate research divisions. A number of their processes have been benchmarked in the top 1%. Gerry realistically predicts that it could take another couple of years for the organization to instill the culture, processes and way of thinking which will rank them in the top 5% of R&D organizations. His longer-term aspiration is to place his organization at the 1% level overall.

In each of these three cases, and in others, there is a common thread which we have not yet seen addressed in the literature. In order to describe and explain this critical insight, we need to outline a model and define several terms.

Solid Grounding in Research and Theory

A study of the literature reveals the generally accepted idea that an individual's stage of ego development and complexity of mental processing impact a person's ability to demonstrate transforming or strategic leadership. However, there is evidence that what is being attributed to stage of ego development may be something different from ego development as defined by former studies.

Since the 1950's, Dr. Jaques has asserted that the weight of a job is related to its complexity, and that the capacity of an individual to do work is determined by that person's ability to process complex information. He states that the nature of work changes in clearly definable ways, as roles progress through the levels of an organization. There are seven clearly definable levels of work which are called "stratum." What is key, however, is that these naturally occurring stratum

of work match naturally occurring levels of the mental processes that humans use to solve problems. To do work at any level a person must have mental processes suited to that level of work or to a level above it. A person possessing mental processes below those required by the level of his or her role will certainly and absolutely fail to perform the work required to properly serve the purpose of the role.

Some years ago Jaques developed methodologies to help managers measure the complexity of organizational roles and to assess the current potential of individuals in terms of those roles. During the last three years he and Kathryn Cason, co-author of his most recent book, have validated a method to directly observe a person's "complexity of mental processing." This is the factor which determines the highest level of work a person can perform at the present time given his or her values and current skills and knowledge. The correlation reported between the management methodology for determining current potential and the observed complexity of mental processing was 0.94 (n=72).

The Model

Jaques' model proposes that there is a level of complexity which characterizes each role in an organization. For a person to succeed in a role, that person must be able to process a volume of complex information equal to or greater than the complexity inherent in that role. The roles that make up large organizations can be categorized into seven levels ("stratum").

Measuring complexity of a role

The complexity of any given role is determined, or set, by the manager of that role and can be measured using a process called "time-span measurement."

Time-span measurement seeks to discover the longest task for which a manager holds a subordinate accountable. For example, meeting today's production schedule; completing the market survey in three months; meeting this year's budget; achieving the required standard cost within two years; opening in the new market within three years; diversifying within eight years, etc.

Following is a list of the time-span break points and the typical titles which go along with each stratum or layer of work:

<u>Time-span</u>	<u>Stratum</u>	<u>Typical roles</u>
50 years	VII	CEO
20 years	VI	Group VP
10 years	V	Business Unit Pres. (staff VP)
5 years	IV	General Manager
2 years	III	Section Manager
1 year	II	1st Level Manager
3 months	I	Operations
1 day		

An Individual's Current Capacity

Jaques identifies three items, or groups of competencies, which in combination determine a person's current potential to do work: knowledge and skills, values, and complexity of mental processing. I prefer to represent them visually as corners of a triangle. Knowledge and skills can be greatly influenced by the organization. Values referred to the individual's commitment to a task, i.e. whether he or she values the work enough to commit him or herself to doing what is required. Following a number of discussions over several years, the definition of values is being enlarged to include what a person "attends to" through personal concerns, temperament and interest. Both knowledge and skills, and temperament, have been the primary focus of the work done on competency modeling.

However, research into the domain of mental processing indicates that it is mental processing which holds the key to achieving more frequent success in transforming organizations.

The Parable of the General Manager

The Parable of the General Manager illustrates the interplay between the leader's capacity, and the complexity of a transformation task. Although it is a parable, it is representative of literally thousands of situations which have been taking place in American organizations since the 1970's.

Imagine that you are a general manager of a manufacturing operation employing 400 people and manufacturing an annual sales volume of \$50 million. The operating vice president approaches you with the following challenge:

"GM, your plant has been running well with most of your quality, productivity and return indicators showing gradual improvement. But, we are seeing indications in the marketplace that our customers want faster, more predictable delivery and a greater level of customization. We have two new competitors who have begun to offer these services and we have already seen several of our marginal customers move to them. Marketing feels that requests for customized products will increase from 5% to 20% of our current orders, and that we will need to decrease our lead time to 10% of the current level while continuing to meet promised deliveries 99.5% of the time. If we can achieve this in two years we should maintain our market position, but if it takes much longer there is a possibility that we will lose half of our volume.

"I would like you to look into some of the approaches we have been hearing about and put together a program that will get us to where we need to be within two years".

This may be what you hear:

"GM, I know that you know how to run this organization. You know what levers to pull to get the results you want and you keep improving the operation. I appreciate that you have a systems model of this plant in your mind. What I would like you to do is to develop a new systems model based on a new set of assumptions. Then identify the connections between the two models and figure out how to transition to the new one within two years. Oh yes, and make sure that you don't lose your current operations along the way."

Are you thinking this required transformation is more complex than effectively managing your existing operation? Of course it is. You must continue to process the same information as in the past, process new information of similar complexity and then draw the relationships between the two in order to make the changes required while sustaining your current momentum.

Research Findings in Three Successful Transformations

Over the past three years, I have been involved with the assessment of over 400 roles and individuals. In that sample, approximately 20% of the incumbents possessed complexity of mental processing one stratum above their assigned role. That ratio is similar to the success rate for transformational attempts. In testing the premise that successful transformation requires a leader with complexity of mental processing at least one stratum above the complexity of the role needed to operate the same organization when transformation is not required, the statistical support was significant at the 0.005 level.

By way of explanation, a closer look at Phil, Chuck and Gerry is revealing.

Phil's role as Human Resources director in a large manufacturing division would typically be at the general manager level or Stratum IV. Roles within Stratum IV are characterized by time-spans of 2 to 5 years i.e. the tasks with the longest time horizon assigned to Stratum IV roles would range from 2 to 5 years. Phil's complexity of mental processing was found to be mid to high Stratum VI. That means that Phil has the mental capacity needed to perform tasks with time horizons from 10 to 20 years away. In other words, Phil's capacity to deal with complexity is two stratum above what would be required to do the work typically required of a division level HR director. When we suggested that he had the capacity to run the division, he acknowledged that this was probably true but that he placed greater value in his current role. He also indicated that when they initiated the HR effort they found that tasks they expected to take three years actually took seven. This point illustrates the importance of the leader facilitating transformation being capable of performing tasks which turn out to be more complex than anticipated at the outset of the transformation.

Before Chuck took charge of the effort to turn around the staff function, he was successful in two different Stratum V roles (a time span of 5 to 10 years). His new boss gave him a clear task assignment: "turn around the department in two years." Chuck was in a two-year time-span role, a role which is just entering the general manager level which is Stratum IV. The existing roles in his new department were typical of a corporate staff at the general managerial level. Chuck's prior success in a Stratum V role, matched the direct observation of his complexity of mental processing at mid Stratum V. This is at least one stratum above the complexity of his new role, were a transformation not required. It is interesting to note that now, since the transformation has been

successful, they are endeavoring to select Chuck's replacement from among Stratum IV candidates since the new role does not require transformation. This demonstrates how being able to match a person's level of mental processing with the level required by a role, focuses the selection process.

Gerry's situation reflects that of the others. As director of corporate research he occupies a Stratum V role (time-span of 5 to 10 years). His longer term tasks extend beyond five years and yet in three years he has brought about a significant cultural and procedural change. Gerry's complexity of mental processing was observed as just entering Stratum VII (CEO level, capable of tasks extending beyond 20 years) which indicates that his capacity is one and a half stratum above the requirements of the role if transformation were not desired.

Each vignette illustrates at least one aspect of mental processing theory, but there is a common thread which runs through all three cases: the minimum requirement of a successful organizational transformation is that the leader responsible for the transformation possess complexity of mental processes at least one stratum above the capacity needed to perform in the same role if transformation were not required.

The Way Forward

Transforming an organization is considerably more complex than operating the same organization without attempting a transformation. There is one imperative for organizing for successful transformation: assign a leader who has the capacity to succeed in a role at least one stratum higher than the role responsible for the transformation. By applying this mental processing model, organizations will be better equipped to hire the 'right' people for the role, approach the 'right' people when transformation is required and so have a chance to significantly improve the current success rate of transformational endeavors.

Organizational Stratum

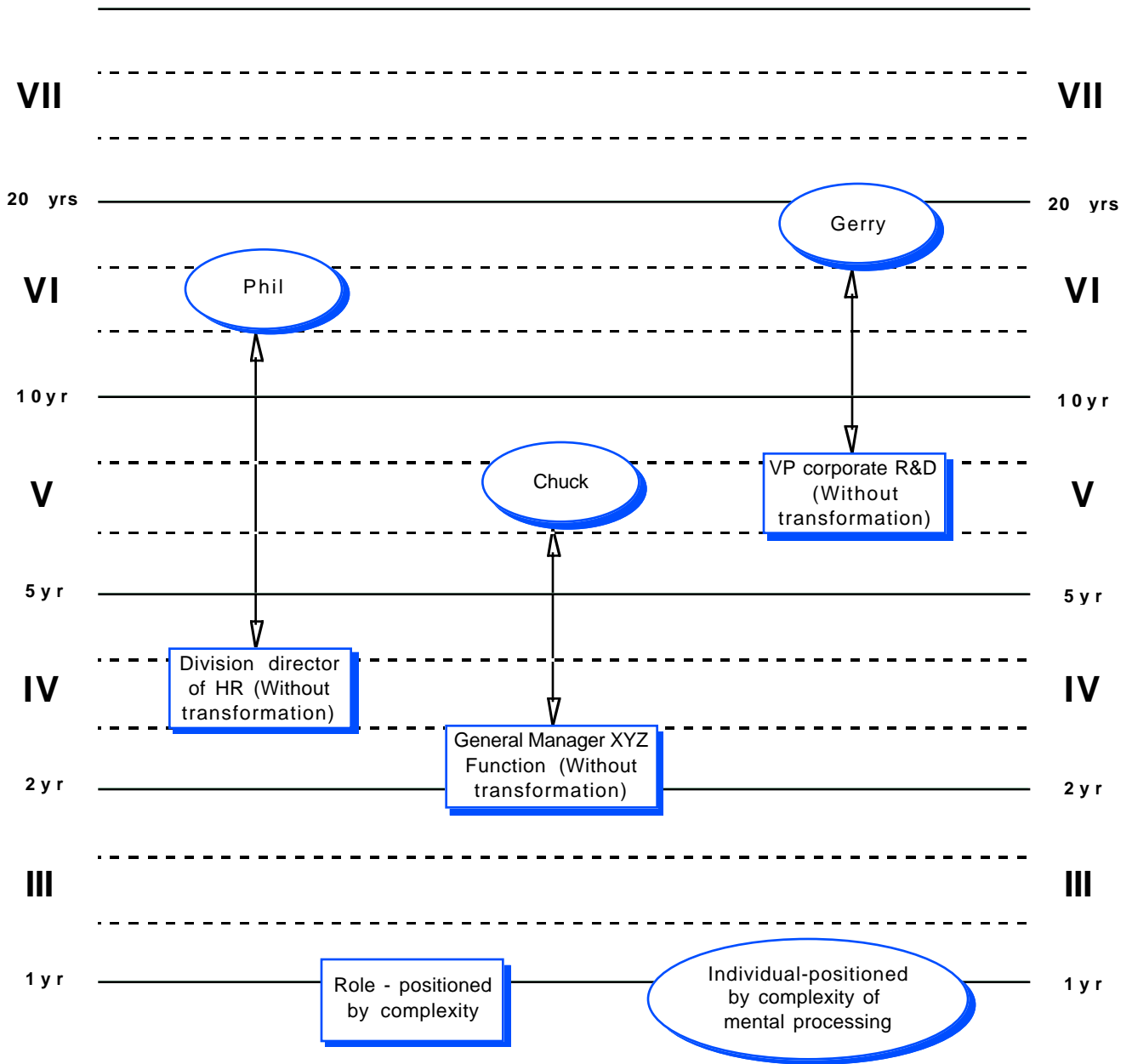


Figure 1. Capacity of incumbent relative to complexity of role without transformation required.

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