GO Global Organization Design Society

Readings in Global Organization Design
2005 Conference Proceedings

The Deadly Diseases Blocking Requisite Organization

by Kenneth Craddock

Article #05-08-08-S3

THE DEADLY DISEASES BLOCKING REQUISITE ORGANIZATION

by

Kenneth Craddock

The "Deadly Diseases of Western management" was a list developed by W. Edwards Deming in the 1980s. He identified seven deadly diseases that blocked the adoption of quality and the quality transformation. They must be removed for Western managers to outgrow their world of "superstition" (see *Out of the Crisis*, 1986, Chapter 3). Requisite Organization reduces each of Deming's Deadly Diseases but, sadly, does not eliminate any of them. (Deming's list is at the end of this paper.)

The adoption of Requisite Organization is also blocked by Deadly Diseases. I once suggested to Elliott that he prepare a list of them but he demurred. This, then, is my best guess for the fourteen Deadly Diseases that block the adoption of Requisite Organization and management leadership practices (MLPs).

1. Following the latest management fad or academic fashion. Fads are used by people to gain promotions and favor by parroting news items, managing upward, smart talking, avoiding accountability, and magic thinking. (e.g., Re-engineering sliced out layers of middle managers, weakening the capacity to complete tasks and projects and to achieve strategic organization goals.) Fads displace applied scientific reasoning and are political and power-oriented. An education in scientific reasoning is necessary to correct this reversion to alchemy. Shewhart's PDSA cycle is one place to start. Another is Jaques on diagnostics. The work of managers is problem-solving.

2. Using pay grades as hierarchy levels, which creates too many layers. This over-layering blocks managers from problem-solving for their employees. These pseudo-layers may have originated in prior pay freezes. The layers were created to give underpaid employees "mini-promotions" so they got additional money to keep them on board. This can be corrected by broadbanding these levels into capability-based strata.

3. A focus on "personality problems." Some people are cranks but many of us are made cranky from having to work in dysfunctional hierarchies. Inter-role conflicts are invisible and mysterious to rationality-focused and personality-focused managers. Pop psychology offers a simple answer – one that is dead wrong: the employee has a "personality problem." This is a universal excuse for failing to focus on designing requisite role relationships. If the layering design is off-base, the people will continuously react to this unobserved design irritant and the issues will boil on. Emotional Intelligence (EI) usually is not the answer nor is group dynamics.

4. Planning by extrapolation from present trends. This approach works for the immediate future only. Much financial NPV analysis is based on this method. Beyond a certain point, the crystal ball quickly gets cloudy for everyone. If these quantitative planning methods are used too high in an organization they will undermine the planning process, the budget process, the strategy process, and the future of the organization.

5. Managers are held accountable for doing the discretionary work of employees. F. W. Taylor advocated this very forcefully: "Management provides the brains around here." This destroys the discretion of the employees and is resisted by them. It is not a psychological resistance. It is fury against their degradation at the hands of those who see themselves as superior to them. While the managers are focused on doing the work one and two levels below their own role, who is doing the managerial work at their level including tasking, trusting, and tending? The executives above them? If so, who is minding the store at the top by providing contextual coherence, judgment, and review? This leads to inadequate thinking, planning, and focus and becomes a vicious-cycle of downward time-mismatching that foreshortens the life of an organization. (Peter Drucker and Herb Simon, both Taylorists, advocated this be imposed on 'knowledge workers.')

6. Employees are held accountable for results. Managers design the system, staff it, resource it, and set the policies and procedures. Employees are one input to the system. They are accountable for applying their discretion and judgment to the work. If they fail to do so - or if they are truly outstanding - their performance and/or results will be detectable by statistical process control because they are outside the system. Variation within the system is random – and without identifiable causation. Managers, not the employees, are accountable for the system's results (incl. required service behaviors).

7. Managers are paid at long-term rates yet are held accountable only for short-term results. This becomes critical in the upper echelons of management. Many Boards of Directors do not have processes for setting CEO accountability or pay. Some economic theories claim pay is a tournament where the winner gets the most (game theory). But this shatters the system, trust, fairness, equity, public decency, common sense, and the business judgment rule of the Delaware Chancery Court.

8. Lack of strategic education and training. There is a lack of individual career development based on maturing and emerging new levels of individual capability by the MoR. Instead, there is a focus on training for the current job but without a context to capture the benefits from it. (Thus, training becomes a cost rather than an investment and falls into a step-function payback.) This contributes to employee/ managerial turnover, job hopping, lack of loyalty, weaker strategic planning, and lack of bench strength across the organization.

9. Bottom-up empowerment and autonomy. Studies show that this theory works when it is introduced top-down (as does quality). The Tavistock socio-technical systems approach was bottom-up, as was their later Quality of Work Life (QWL) program, and empowerment. However, follow-up studies showed most of these interventions did not hold. Most met initial success but were quickly removed by the managers and the unions. Trust can only be brought into the organization from the top. The employees must be trusted by the managers before the managers can be comfortable with accountability for results. (When six sigma is initiated at the bottom shaky results are predictable. Short CEO tenures interrupt attempts to establish trust from the top.)

10. Lack of transparency in evaluating people. Annual performance appraisals are too far apart to help stratum-one employees. They should be done semi-annually and informal feedback should be given quarterly to all (five-minutes). At all levels the job design, company policies, work criteria, and evaluation criteria should be known to both sides and shared. Tasks are requisitely assigned (QQT/R with context) and understood. Appraisal at higher strata should be given annually and at the end of each major project.

11. Lack of executive leadership. (This is triadic leadership, three-level.) The manager-once-removed (MoR) fails to hold department-wide, full-staff meetings on the future work of the department, training, and technology. Performance appraisals across the department are not geared or equilibrated by the MoR. Career development assessments are not done by the MoR. The manager's leadership of employees is not monitored by the MoR. This contributes to lack of backbone and bench strength.

12. Variation in data complexity increases the variation of joint decision-making. When managerial roles are structurally confused across several strata, the IT reports coming to these roles will also be conflated across several levels of complexity of information processing (CIP) and across several temporal traunches. This inappropriate IT support increases the complexity of joint decision-making at each managerial level as well as the time required to sort through data/ information/ knowledge/ wisdom.

13. People serve technology. New technology is presumed to be the driver of improved productivity and efficiency. Humans are hired at the level of capability required by the new technology. This may require upskilling far more often than deskilling. But human capability is the real constraint, so those with lower capability levels are unemployed and unemployable. In Toyota, however, the technology is adapted so the current workers can use it to get their work done better, faster and cheaper. No redundancies are created. Rather, the complexity of the technology is fitted to the employee's capability level and becomes a tool for use in their work: *humanware*.

14. Globalization to preserve technological productivity gains without regard to social impact. The upskilling of technology in North America has led to the hiring of S-2 capable employees and the redundancy of S-1 employees (lay-offs). Today, all the S-2 people are fully employed, while eliminating S-1 roles. There are no more available S-2s in the labor market, so employers are faced with a dilemma: deskill the jobs by adapting the technology to a lower employee capability level (level S-1 humanware), or go abroad to find more S-2 capable employees. Employers decided to keep their technology at S-2 complexity and went abroad. In the new locales and new labor markets the S-1 population was left unemployed and unemployable. In early 2004 the Indian government was turfed out over this issue. Globalization was seen as benefiting only the Indian middle-class (at S-2 capability).

# # #

THE DEADLY DISEASES BLOCKING REQUISITE ORGANIZATION

Kenneth Craddock

1. Following the latest management fad or academic fashion. (Not long-term.)

2. Using pay grades as hierarchy levels (creating too many layers and bureaucracy).

3. A focus on "personality problems." (If the layering design is off-base, the people will continuously react to this unobserved design irritant.)

4. Planning by extrapolation from present trends. (Valid for immediate future only.)

5. Managers are held accountable for doing the discretionary work of employees. (This leads to short-term thinking, planning, and focus becoming a vicious-cycle of downward time-mismatching that foreshortens the life of the organization.)

6. Employees are held accountable for results. (They are accountable for applying their discretion and judgment to the work. Managers, not employees, are accountable for the system's results, including required service behaviors.)

7. Managers are paid at long-term rates yet are held accountable for short-term results. (Many Boards have no processes for setting CEO accountability or pay. This shatters the system, trust, fairness, equity, and the business judgment rule.)

8. Lack of strategic education and training. (Lack of individual career development based on maturing new levels of individual capability. Instead, there is a focus on training for the current job but without a context to capture the benefits from it.)

9. Bottom-up empowerment and autonomy. (Trust can only be brought into the organization from the top. This is interrupted by short CEO tenures.)

10. Lack of transparency in evaluating people. (Operations performance appraisals should be semi-annual and informal feedback given quarterly to all.)

11. Lack of executive leadership. (This is triadic leadership, three-level.) The manager-once-removed (MoR) fails to hold department-wide, full-staff meetings on the future work of the department. This contributes to lack of bench strength.

12. Variation in data complexity increases the variation of joint decision-making.

13. People serve technology. (But human capability is often the real constraint. Technology in the workplace is *humanware*: tools used for work by people.)

14. Globalization to preserve technological productivity gains without regard to social impact. (The upskilling in North America means S-2 people are fully employed while eliminating S-1s. Companies kept technology at S-2 and went abroad.)

Deming's Deadly Diseases

1. Lack of constancy of purpose to keep the company in business.
2. Emphasis on short-term profits; short-term thinking (fear of take-over).
3. Evaluation of performance, merit rating, or annual review.
4. Mobility of management, job hopping. (Also, short CEO tenure.)
5. Management by use only of visible figures, with little consideration of figures that are unknown or unknowable.

Peculiar to industry in the U.S.:

6. Excessive medical costs.
7. Excessive costs of liability, swelled by lawyers that work on contingency fees.

Numbers 6 and 7 are outside the direct control of management.

Source: *Out of the Crisis* (1986), Chapter 3: Diseases and Obstacles.

NOTE: Jaques agreed with Deming's numbers 1, 2 and 5 (also 6 and 7). Number 3 was a vexing and difficult issue that Jaques addressed through the PEA. Jaques saw Number 4 as disruptive but not fatal if the organization was already requisitely organized and following requisite leadership practices.

++

The two "DD" lists are different but roughly can be cross-referenced as follows:

Deming No.	Jaques No.
1	1, 3, 13, 14
2	4, 5, 7, 8, 11
3	2, 5, 6, 8, 10
4	8, 9
5	11, 12

Presented by Kenneth Craddock at the first GO Conference, 8 August 2005, Toronto, Ontario, Canada. Rev. 12-31-05

RO-Deadly-Diseases-Jaques-2005.doc

OUR PURPOSE

The Global Organization Design Society is a not-for-profit corporation registered in Ontario, Canada to promote the following objective:

The establishment and operation of a world-wide society of academics, business users and consultants interested in science-based management to improve organizational effectiveness for the purposes of:

> Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.
>
> Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources.

CONTACT US

Global Organization Design Society
32 Victor Avenue
Toronto, Ontario,Canada M4K 1A8
Phone: +1 (416) 463-0423
Fax: +1 (416) 463-7827
E-mail: Info@GlobalRO.org
URL: www.GlobalRO.org