



GO Global Organization
Design Society



Readings in Global Organization Design
Success Stories

The Roche Canada Story
(brief version)

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Article #06-01-22-3

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(brief version)

Background

In the early 1990s F. Hoffmann-La Roche, Ltd, one of the leading global, research-oriented health care companies, realized the rapidly accelerating complexity in the pharmaceutical industry, meant “business as usual was no longer an option”. The industry’s critical issues were growing in intensity due to patent expirations, price pressures, drug development challenges, and regulatory and political pressures.

Roche responded initially to these issues with mergers and acquisitions, improved manufacturing processes, licensing-in of new drugs, and strategic alliances. It articulated other new directions as well, including managers acting as coaches and mentors rather than commanders and controllers, the elimination of “turfs” and organization silos, and the building of a stronger goal and process orientation.

In 1995 the senior management of the Canadian affiliate of the company, Roche Canada, asked Elliott Jaques to help them build an organization that could meet the demands and expectations of their corporate parent and achieve success, short and long term, in this unprecedented business environment.

The following highlights their work with Elliott to establish an optimal organization structure, develop the talent and capability of employees, implement the best management practices and strengthen organizational governance, performance and success.

Roche Canada-Building A Requisite Organization

How Many Levels Should the Organization Have?

First, Elliott’s Time Span concept and definitions of levels of complexity of work were applied to help the management group answer that most vexing question of how many working levels or layers their organization should have.

With Time Span they determined the right number of organization levels they needed, and defined the unique complexity of work to be done at each successively higher level. The alignment of levels and work complexity set the foundation for ensuring that the long term strategic, operational and tactical, as well as the day to day work of the organization, could be done well.

The Organization's Greatest Strategic Advantage-People

Aligning organization levels and levels of complexity of work was a prerequisite to fairly and justly assessing employee potential capability. A capability assessment was a management judgment of an employee's capability to do work, currently, at a specific organization level and a judgment about the potential maturation of that capability.

The immediate managers prepared assessments of their direct reports for review and approval by their managers. The entire talent pool was then "mapped" for review and approval by senior management.

The consistency of judgments about capability strongly indicated management had discovered a method of safeguarding against inaccurate assessments or over- or under-estimation of an individual's capability.

The mapping of the talent pool enabled management to link human resource planning and development firmly to its strategy and to more precisely measure the asset most important to creating a strategic advantage for the organization.

Aligning Functions to Achieve the Vision

The alignment of core and support business functions was another factor critical to creating a competitive advantage. A top-heavy and somewhat fragmented organization structure, due to a recent merger, needed to be realigned.

Elliott discussed with the senior management team different ways of aligning the core business or mainstream operational (clinical research, regulatory affairs, sales and marketing) and support functions and ensured they were placed at the right organization levels to maintain focus on customers, markets, competitive shifts and the external environment.

Clarifying Accountabilities and Authorities

Clear managerial and cross functional accountabilities and authorities for all roles and functions were established. This enhanced managerial leadership effectiveness and enabled faster, more collaborative, high quality work. People had a clear understanding of what they were accountable for and to whom.

The Requisite Organization principles and practices were also applied to increase the performance of product launch teams which reduced product launch times and gained potential savings of millions of dollars.

Better Strategic Thinking and Decision-Making

Roche's Strategic Business Planning process was always intended as a "compass" and not a detailed "roadmap". The Time Span concept allowed Roche Canada to greatly improve its planning. Time Span specific deliverables, performance metrics and reporting for each organization level and function were developed and integrated. The new process enabled management to detect

significant internal and external changes as they occurred and make reasoned and informed choices about optimal future actions and directions. It also provided all employees with a common understanding of the organization's goals and set context and direction for their work.

Developing The Best Managerial Leadership Practices

Roche learned that managers need to be one organization level above their direct reports in capability and in the level of complexity of work they perform. This difference however, is a necessary but not sufficient condition for effective management. Managers needed to implement key managerial leadership practices such as, holding team meetings, setting context and direction, and assisting direct reports in anticipating and overcoming obstacles to achieving agreed upon goals. The training provided to managers focused on the practices of good management rather than managerial "styles". Managers learned and were held accountable for practices essential for building trust and openness and strengthening individual and organization performance.

Summary

There were other changes to important policies and practices at Roche and many immediate benefits. The Requisite Organization Principles enabled management to view the organization from a very different perspective -- one that provided an understanding of the fundamental structure of the organization, its parts and properties, and the relations among them. Management could now develop fundamental, systemic and enduring solutions to the challenges of building a high performing organization that would be a "good place" for people to work. There was more to be learned and gained if they could maintain, long term, a full commitment to the Requisite Organization approach and embed it solidly in the organization's culture.

Charlotte Bygrave, Toronto

April, 2005



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.

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Sponsorship for the period 2005-2007 is provided in part by the generous support of the following organizations:

