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The Novus Story  
A Case Study of a Requisite Organization Implementation

by Nancy Lee

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# **The Novus Story: A case study of a Requisite Organization implementation**

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By Nancy Lee

In 1991 Mitsui & Co. Ltd. and Nippon Soda, Ltd. jointly acquired the Feed Ingredients Business from Monsanto Company. Dr. W. Joseph Privott, who was then running this business, was asked to become president of the new company. The new owners gave Dr. Privott the freedom to organize this new entity as he saw fit.

One of his early activities was to seek out ways of creating a work environment that would result in both business success and treatment of employees in a socially responsible way—providing a great place to work. As part of that effort, Dr. Privott attended a week-long seminar at the Levinson Institute. Dr. Elliott Jaques presented part of the seminar.

The ideas Dr. Jaques set forth appealed to Joe and he believed they would help him achieve his objectives for the new company. In particular, the logic and internal consistency of Requisite Organization concepts interested Joe Privott because they provided an approach to management as a science rather than an ‘ad hoc’ art. (Joe is a Ph.D. scientist as were many of the senior managers at Novus at that time.)

Joe Privott found in Elliott Jaques’ ideas a practical approach that would help him not only enable Novus to achieve its mission and be financially successful but also to provide a healthy place to work. Joe asked Elliott who he would suggest to come to St. Louis to help implement the system, and Elliott suggested Nancy Lee, who had been working with his ideas for a number of years. Joe asked Nancy for a commitment of two weeks a month until the implementation of requisite concepts was well underway.

Thus began an almost ideal requisite project. Here was a newly formed company where the private owners gave the president the freedom to establish the philosophy and practices that he felt were most appropriate. One year from its founding the work started that would result in a nearly requisite organization.

## **Background on Monsanto and Novus**

In the 1950's Monsanto, a St. Louis-based company, began applying chemistry to and developing businesses in three areas related to feeding the world: plant production, animal production and food production. It was soon recognized at Monsanto that the most significant payoff was in the area of herbicides for more efficient plant production. Monsanto, therefore, focused most of its resources in the plant area but maintained small businesses in animal and food production.

In the mid-1970's, Monsanto scientists made a major discovery that led to a new lower cost in the production of methionine, a nutritional animal feed additive. In the early 80's Monsanto built the world's largest methionine plant and began to grow market share. Joe Privott was brought in as the plant was being built to develop and execute the marketing plan.

By 1990 Monsanto again decided its strategy would be to focus most of its efforts on crop chemicals with an emphasis on biotechnology. The company also decided to divest the Feed Ingredients business which had methionine as its major product.

During the new company's formation it acquired a name which, under the circumstances, was very appropriate. One of the employees suggested that the company be named Novus, a Latin word which roughly translates as 'new beginning', and this name was adopted.

In the early years, Novus' mission was 'help meet the growing worldwide demand for high quality, affordable food'. There were 160 employees and gross sales were about \$250 million dollars.

## **A New Beginning using Requisite Principles and Practices**

Early steps in the introduction of requisite organization included:

- educating the senior management team of nine individuals
- analyzing the extant organization
- getting preliminary judgments of the complexity of information processing of each person in the top three levels.

### *Educating Senior Management*

The senior management team was introduced to requisite concepts as part of their regular weekly management meetings. These meetings were extended to allow a one hour presentation on a particular aspect of RO followed by a question and answer period. These presentations by Joe and Nancy were intended to both educate these managers and gain their agreement as to the reasonableness and usefulness of these concepts. Nancy also prepared a brief written paper on each key concept for use in these meetings.

Novus was fortunate to have Sir Roderick Carnegie visit early in the project when he made a presentation on requisite concepts and his experience with them as CEO of CRA, an Australian mining company. His question and answer period helped the senior management explore their doubts about requisite procedures. Rod had worked for more than a decade with Elliott in the formation of many requisite concepts. Rod's visit brought a great deal of credibility to the Requisite Organization approach and also provided encouragement to senior management to spend the necessary time and energy to implement the system.

### *Analyzing the Extant Organization*

Nancy undertook a review of the extant organization, that is the organization as it existed in terms of roles, reporting relationships, work being done and time span of key tasks in each role. She interviewed Joe first as to the work he was expecting of each the management team's units.

Next she interviewed each member of the management team as to their understanding of the results that were expected from their units. She then explored how they divided this work up among subordinate roles. At the same time she sought data on some of the longest tasks for which they believed they were responsible, as well as information on the longer tasks they delegated to subordinate roles. Occasionally Joe's view and the understanding of a given manager were not fully aligned. When this was this case, Nancy worked to achieve full clarity and agreement.

This information yielded a picture of a Stratum VI organization comprised of five layers where virtually all the roles were Stratum II to Stratum VI. There were very few roles at Stratum I.

### *Stratum VI Organizations*

At that point in time, the early 1990s, Elliott felt that a Stratum VI company was perhaps somewhat unstable and needed to grow to a Stratum VII or become a Stratum V organization. This had been his observation up until that time, although he was not able to articulate fully his reasons for the possible instability of Stratum VI companies. (Subsequently he came to believe that Stratum VI companies were viable as he experienced more and more of them, possibly occurring because they actually had only five layers, with most Stratum I work being handled by technology.)

In fact, Joe was interested in growing what had been a Stratum V business group within Monsanto, into a Stratum VII company that dealt with a wide variety of related products. He sought to have these products added largely through acquisition, but internal development and joint ventures were other possible avenues.

### *Initial Judgments of Employees' Complexity of Information Processing*

Joe provided initial judgments of the Complexity of Information Processing (CIP) of each of his subordinates and Subordinates-once-Removed. (Joe's judgments over a number of years were recorded. Not surprisingly the changes in the judgments paralleled the expected growth in complexity of individuals as anticipated on the Potential Progress Chart developed by Dr. Jaques.)

The senior management team also judged the complexity of information processing of their subordinates and Subordinates-once-Removed. This gave a picture of the capability of the employees from Stratum VI to Stratum III.

Joe felt Elliott's approach to judging complexity of information processing clarified the issue of capability and separated it from values, knowledge and temperament. Requisite Organization provided concepts, a vocabulary and tools to consider these quite different issues and to talk about them.

### **Addressing Issues of Temperament**

As the power of the use of requisite practices began to become evident at Novus, Joe turned his attention to issues of temperament. He wanted a method of understanding and discussing issues of behavior and a way to take temperament into consideration in staffing decisions. His goal was to

find a way to assist individuals and groups to behave more effectively at work.

Nancy recommended Ken Wright, a specialist in this area, who also has a deep understanding of Requisite Organization. Ken used the Human Synergistics' instrument as an information gathering tool and catalyst both for individual discussions and to enhance understanding of interpersonal issues within groups and teams. Work in this area began along with the ongoing implementation of requisite practices.

### **Examining Cross-Functional Working Relationships**

Another area that was addressed early in the project was that of the interface between units. An off-site meeting was held, to review areas where improving clarity in accountability and authority between roles reporting to different managers would likely produce increased effectiveness for Novus. The requisite descriptions of Task Initiating Role Relationships (TIRRs) were used as the means of addressing some of these issues and specifying what the roles involved needed to do. Joe was aware that this was often a source of interpersonal problems that were apt to lessen when the relationship between roles in different areas were clearly described.

In practice it was found that not all of the TIRRs were needed and a smaller subset was developed for ongoing work in this area. These relationships were renamed Cross Activity Relationships (CARs) to indicate that not all of the requisite concepts were included.

### **Developing Requisite Processes for Novus**

Working with the Manager of Human Resources, Sabrena Hamilton, a document was developed to clearly state Key Accountabilities. This document coordinated with an appraisal document that was designed at the same time and that was intended to be used informally at mid-year and for the formal annual appraisal.

A manual was developed for all Novus managers that described the integrated process of identifying and communicating to each employee their key accountabilities, providing feedback and coaching when tasks were completed and judging overall personal effectiveness. These processes plus the other eight requisite managerial leadership practices were described in the manual. The full set of procedures, as well as the manual, was entitled The Novus Management System (NMS). Sabrena

and Nancy also reviewed all Novus policy documents to modify any aspects of policy and procedures that were non-requisite.

#### *Key Accountabilities Document (KAD)*

This document was designed to include key tasks and general responsibilities, team assignments and critical cross-functional accountability and authority. A general statement was included to the effect that persons in managerial roles will also be judged with regard to their full use of the requisite managerial leadership practices. (Novus' document is similar in design to the Role Specification form recommended as Requisite.)

#### *Personal Effectiveness Appraisal (PEA)*

One of the areas of extensive discussion in designing the Personal Effectiveness Appraisal process and the document was whether or not to include 'exceeds expectations' as well as 'meets expectations', 'below expectations' and 'unacceptable'. The decision was made to follow Elliott's recommendation of not including an 'exceeds' rating, since meeting expectations is what is expected of all employees.

Joe Privott found that an important contribution made by requisite concepts was that accountabilities should be identified by the manager's intended time to completion. This might well be shorter or longer than the annual appraisal cycle. When it was necessary to judge tasks lasting more than a year for the annual review, managers were given the option of considering the setting of a milestone in the progress of that task.

### **Educating Employees about the Novus Management System**

With the KAD and PEA and the Novus Management System (NMS) manual ready for use, each member of the senior management team set up an educational session for all of their subordinates. Nancy assisted in these programs which were held not only in St. Louis but around the world as part of regional meetings.

Novus has many Stratum II individual contributors and it quickly became apparent that a shorter version of the manual was needed to educate them from their perspective with regard to the Novus Management System and to communicate expectations of the accountability and authority of all Novus employees. This version of the NMS was prepared and also used as part of the educational program.

These programs were completed throughout the world over a period of about three months.

### **Other Requisite Practices**

As the second year of requisite implementation began with the task assignment and appraisal processes in place and the initial education completed, attention turned to other requisite practices such as selection and orientation. Nancy and Sabrena wrote a manual to aid managers throughout the world in applying requisite principles in interviewing and selecting employees. An orientation program was designed and provided to newly hired employees.

### **Level of Work and Organization Structure**

Issues of organization structure and the level of work in each role had been reviewed during the first year of the implementation. Principles used here were provided as part of the educational process. Some changes had been made where, for example, a role incumbent was found to be not of the level of complexity of information processing required by the work of the role. But it was not until this point that a decision could be made in determining how level of work was to be used in Novus.

It was decided by Joe to use two, rather than three bands, within Strata I, II and III and have only one band in the higher Strata. Novus roles were placed in these bands using a combination of time span measurement and executive judgment as to what would be required in the future. Roles were calibrated across the organization with all senior staff working together. Over time, the staff was gradually deployed requisitely, based on judgment of complexity of information processing and the other aspects of suitability for a role, which are values and skilled knowledge.

### **Compensation**

After two years of work resulting in Novus being organized requisitely in terms of roles and role incumbents, it then became possible to turn attention to the compensation system. It is only when an organization is requisitely structured and staffed and requisite managerial leadership practices are in place, that it is possible to implement requisite compensation.

Sabrena Hamilton was a specialist in compensation and had many years of experience in traditional compensation, especially with regard to its



application in a global company. She asked several compensation specialist organizations to assist her in using requisite compensation, but none were able to integrate requisite concepts into their existing methodologies.

“So, I had a number of conversations with Thad Simons, corporate counsel, and Nancy on this topic and then shut myself in a room for two days to fully understand the implication of using ‘X’ and pay differential based on level of work of a role, as the basis of total compensation. I made some initial calculations as to what this would look like in some of the many countries around the world where we have employees.

“It became apparent to Thad and me that since we had uniformly defined complexity of roles worldwide we could benchmark pay at each level and then adjust as needed to the realities of various labor markets. We separated pay increases from structure movements. Our calculations included all aspects of compensation such as benefits, which tend to vary widely between countries plus the annual and the long-term incentive plans. While we will never have a totally requisite compensation system since we have incentive pay for all employees, we were nonetheless able to apply most of the principles successfully. And we found that once you understand and apply the basics of requisite compensation, you don’t need compensation specialists to keep the system going.”

### **Talent Pool Development**

In addition to being corporate counsel, Thad Simons was also the head of new business development and human resources. Working with Sabrena and Nancy, he set up a requisite talent pool process beginning in year two. The senior management team met several times a year to review all roles that needed to be filled in the next several years and all employees who had the CIP required by these roles.

Discussions focused on each employee with regard to their qualifications in terms of what they valued in the work environment; their education, experience and skilled knowledge. A major outcome was to share information as to each employee’s CIP as agreed by their manager and MoR and get additional information on each person.

A form was developed that captured information in terms of who was considered:

- ready in the areas of CIP or when they might be ready
- whether they valued the role in question (or what steps should be taken to explore that further)
- whether or not they had the necessary skilled knowledge (or what needed to be taken to develop it and plans for that to happen)

Talent Pool meetings were regularly scheduled to repeat this process. In addition, all employees who were judged capable of working at level 3 (middle management roles) or higher were reviewed by the group to calibrate judgments between the senior manager and Joe and to review and add to the pool of talent on a continuing basis.

The senior management team commented on how constructive this approach was compared to earlier experiences some of them had had where issues of personality were largely the focus of attention.

### **Embedding the Novus Management System**

Also starting in the second year, Joe Privott instituted an annual review of the full Novus Management System at the annual meeting of employees in St. Louis. He conducted this review personally, sending a clear message of the importance of these practices and ensuring that all employees were familiar with the requisite practices contained in the NMS.

These annual education sessions consisted of three parts: one was Joe Privott's review of the NMS; the second was a review of Human Synergistics to continue to enhance personal understanding of behavior in the business setting and interpersonal cooperation; and the third was the presentation of a number of workshops on other management skills such as giving feedback, coaching, communicating clearly, making effective presentations and dealing with cross cultural issues. Much of the material was developed by Nancy and all of the material was consistent with requisite principles.

Joe also participated in all new employee orientation sessions giving the segment on the NMS, demonstrating his commitment to it. He also used each issue of the Novus newsletter to address some aspect of the NMS.

He ended these articles and the educational sessions by asking employees “to hold him accountable for following the System” and stating that he would “hold them accountable for doing so as well.”

### **Thoughts about the Novus Project**

Joe Privott retired from Novus in 1999 and subsequently became a consultant to corporate presidents, helping them understand and implement Requisite Organization. He has thought a great deal about the experience of bringing these concepts into Novus. Following are some of his thoughts.

“During the years of implementing requisite ideas we learned a lot that helped us. One of the things that appealed to me initially about Elliott’s ideas is that it gave us tools to make clearer judgments about individuals. We all make those judgments but with requisite concepts and language, we had a sophisticated mental model of what we were doing which gave us more confidence in our judgments of individuals. There is a tendency to want to quantify performance but one needs to make a judgment about whether each person was operating at full capability under the prevailing circumstances. This can’t be measured; it has to be judged. Elliott’s concepts gave us a frame of reference for making and reviewing these judgments of employees’ effectiveness under prevailing circumstances.”

“The concepts embodied in ‘capability’ and ‘level of work of a role’ were especially helpful in understanding situations where individuals, who had been capable of their roles, seemed no longer effective as the organization and the work grew in complexity. This problem is common in successful and growing organizations and is a very difficult one to deal with. Understanding its causes is a giant step toward deciding how to resolve the problem while valuing the worth and dignity of the individual involved.”

“The talent pool process we developed using requisite concepts helped us to think about the organization we needed in the future in terms of roles and the level of work that would be involved. We had a common language to do an assessment of our current talent pool and analyze our current staff in terms of their complexity of information processing (CIP), their values and knowledge, skill and experience. We then had a sound basis to provide development plans for specific individuals that we wanted to prepare for future roles.”

“Temperamental issues were handled by Ken Wright’s work which helped key employees to see themselves with objectivity and how their behavior at work affects others. One of my key employees told me that he couldn’t stop himself from having his first thoughts about ideas be negative ones, but he could control what he did with those thoughts. He said that once he realized the impact of this behavior on others, he learned to stop himself from making cynical, put-down remarks that cut off creative discussions.”

“As one involved in Novus from its inception, I had a passion to drive the company forward successfully. Using requisite principles gave me additional courage and confidence to develop my vision for the company and implement it. Along the way there were some events that were particularly significant in our ability to use and embed requisite concepts. One was the opportunity to discuss issues directly with Elliott in addressing problems. He was always available to Nancy and me by telephone and visited us in St. Louis on several occasions. He is sorely missed.”

“Another was the day Rod Carnegie, former CEO of CRA, spent with us. Bringing in someone who had fully experienced requisite implementation and who had personally wrestled with the issues that arise while doing so, was a very important event giving me confidence and courage to continue to push forward in getting buy-in from my senior team and in enabling us to continue to move ahead.”

“The combination of an understanding of differences in the complexity of information processing (CIP), with an understanding of temperaments and resulting behavioral patterns, was a powerful thing for me. It gave me a ‘scientific basis’ for designing the organization, assigning staff to roles and diagnosing performance shortfalls. Ultimately it gave me a basis for deciding on appropriate corrective actions. These were usually making reassignments to get a requisite role/CIP relationship, but occasionally it was coaching to help an employee manage a potentially dysfunctional temperament so as not to exhibit dysfunctional behavior. What I also found was that employees are better able to manage their potentially dysfunctional temperaments when they are assigned to roles with a level of complexity that matches their level of mental processing capability.”

Joe's comments on the results of implementing RO, in conjunction with a focus on temperament, are that:

“Excellent business results were achieved (in both growth and profitability) compared to competitors and a healthy, constructive place to work was established. What started as a small unit in Monsanto that had 3% share of the domestic market grew to have 35% share of a world market that was itself growing at 6% and 10% annually. Using requisite principles contributed substantially to our success over the years and enabled me to deal openly, fairly and honestly with my employees.”

### **Novus in the 21<sup>st</sup> Century**

With Thad Simons as president of Novus, the corporate vision has evolved and it is now to ‘help feed the world affordable, wholesome food’ and Novus’ goal is to ‘build a self-renewing multi-product company’. Novus does business in 83 countries.

Requisite practices, embodied in the Novus Management System, continue in place and are well embedded in the culture. Attention to setting clear goals and enhancing individual effectiveness, has enabled Novus in four years to improve efficiency from about \$1.5 million in sales per full time employee to more than \$2.5 million today. The clarity, logic and consistency of requisite organization principles provide a substantial foundation for guiding and integrating the work of employees who are located in 24 countries. With sales approaching \$500 million and a continuing strong growth rate of more than 10% per annum, Novus today is an outstanding example of a successful global organization that has implemented requisite principles and practices.



## 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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