

## **Job evaluation and organisation design – the solution**

*In this, the second of two articles, Brian Dive explores the relationship between job evaluation and organisation design and explains why he thinks that organisation design should drive reward systems.*

### **Introduction**

It was established in the first article that job evaluation schemes drive organisation design. This can result in ineffective structures, unwieldy bureaucracies, and administrative “grade” or rank promotions. These invariably result in cost drift, hollow jobs and dissatisfied staff.

This article will explain why organisation design should drive reward systems. It will demonstrate how such an arrangement will overcome the shortcomings of job evaluation schemes based on quantitative assessments and how this in turn will build a healthy organisation.

### **The purpose of job evaluation**

It is accepted that the purpose of job evaluation is to lay the foundations for a rational, fair and equitable system of pay. Job evaluation is a crucial element of reward policy and strategy. The key principle of job evaluation is the assessment of different jobs using a common yardstick, and as a result the establishment of a pecking order of jobs.

### **The purpose of organisation design**

The purpose of organisation design is quite different. Organisation design has a more macro objective than that of job evaluation. The design of the organisation is essentially geared to ensuring the strategy is met and delivered. It helps to ensure that the organisation is fit for purpose. Organisation design is therefore concerned with the big picture, the mission or moral purpose of the organisation concerned.

The next two steps are to decide upon the type of structure that is appropriate and how to ensure it is effective.

### **Two different approaches**

Job evaluation and organisation design start with different questions. The starting point for organisation design is: “Why does the job exist? How does it meet the mission or purpose of the organisation? Does the job add value to the work of others?” The focus is on quality of decisions taken.

Whereas the traditional job evaluation approach does not concern itself with the purpose or reason for the job’s existence. That is taken as a given. The key job evaluation questions are: “How big is the job? How many resources does the incumbent manage?” The focus is upon quantity not quality.

This is one of the key reasons why Peter Senge could write in 1997: “Most large, apparently successful corporations, are profoundly unhealthy”. I have worked in over 70 countries and I have invariably observed that most organisations are over-managed and under-led. And the one thing that all such organisations had in common was a job evaluation, grading or system of ranking jobs. The Betts Commission in 1993 opined that the military had too many ranks, but crucially could not identify precisely the non-value adding rank(s) that should be removed.

### **So what is the answer?**

The trick is to have organisation design drive the assessment of jobs and not job evaluation drive organisation design, which is the mistake most organisations make.

The difference with this approach is where one starts. The aim is to establish why a job exists and whether it adds value to the work of others in pursuit of the organisation's mission or purpose. The focus is first on the quality and purpose of the role. The driver is not quantity and number of resources managed, but rather the quality of decisions that have to be taken when managing the respective resources.

We are now living in the knowledge age. Knowledge or know-how is an important resource that cannot be measured in simply a quantitative way. Knowledge is increasingly becoming the key resource of the 21<sup>st</sup> century and is the major component in many top specialist roles underpinning the development and discovery of new technologies.

The other problem today is that the concept of a "job" as something with a fixed, unchanging boundary is increasingly a thing of the past. But the traditional quantitative job evaluation assumes a job must have a fixed boundary. Work is now much more fluid and changeable. This changeability is driven by rapidly changing technology and increasingly seamless labour markets, leading first to out-sourcing and now to off-shoring. Furthermore work is increasingly being arranged on a contractual or contract basis. The manifestation of this is the project organisation. As Bridges has said: "Jobs might be disappearing but work is not". Evaluation approaches now have to harness this new reality, not cling on to the rigid ideas of the past.

### **Accountability is the key**

Given the recent governance scandals in the private sector and demonstrable waste in the public sector, there is an increasing recognition of the need for clear accountability in all organisations. In the public sector there is great confusion about the difference between control and accountability, as Baroness O'Neill pointed out in the 2002 Reith Lectures. An excess of top-down control and fatuous political targets does not enhance the accountability of professional and managerial employees.

### **Why is accountability so important?**

Accountability is important because it is rooted in liberty or freedom. Isaiah Berlin clarified the notions of negative liberty and positive liberty. The former is the desire to be free from interference: the latter is the need to be free to express oneself and maximise the use of one's talents.

### **So, what is accountability?**

Accountability is being answerable to another for the delivery of a service, product or result than can be measured in time, quantity and quality. It involves adding value to the work of others. Thus a leader or manager must be answerable for decisions that can not be taken at a lower level in the organisation. This is not because those in the lower echelons are not permitted to make decisions but because they do not have the know-how or experience required. Furthermore the leader or manager must be making decisions that need not be taken at a higher level.

If either of these conditions is not met, then compression occurs – the presence of a non-value adding job or layer of management. Compression is the opposite of empowerment. Berlin would see it as "interference". Traditional job evaluation systems tend to foster compression as they cannot stop grade drift — which is merely the adding of more quantitative resources that does not usually involve different levels of decision making.

### **So, what is the solution?**

The good news is that the aims of job evaluation and organisation design can be met. For example, they are fused together in the Decision Making Accountability (DMA) approach to the assessment of accountability levels.

This approach was implemented in Tesco, for example, in 2001. It focuses on the decisions taken by job holders by examining seven decision-making zones or "elements". The elements

emerged originally from over 1000 management-hours of fieldwork across 40 countries in Unilever. The elements emerged as a result of asking managers: "What decisions do you take that your team members cannot take and which the person to whom you report does not take". I wrote up this approach in *The Healthy Organisation: A Revolutionary Approach to People and Management*, published by Kogan Page in 2004.

This enabled Tesco, for example, to identify which jobs added value to the company's mission and the work of colleagues while at the same time enabling individuals to learn and grow. It ensured the jobs and organisation structure consisted of challenging roles that also served as a platform for leadership development. The next step was to align differentiating competencies or behaviours that enable the identification of leadership potential.

## **Conclusion**

The DMA approach, which identifies the value added accountability of jobs, meets the objectives of both job evaluation and organisation design. In this way job evaluation can be a solution to the challenges of organisation design.

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