

**TOPICS INCLUDE:**

- Fostering adaptiveness
- Five key areas of change for organizations
- Synchronizing to improve performance

**BLACK-AND-WHITE PAPER SERIES:**

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We invite your feedback on this edition. And we welcome your ideas for future topics we should address. Just write to us at [blackandwhite@toffler.com](mailto:blackandwhite@toffler.com). We look forward to hearing from you.

## The Adaptive Organization: Fostering Change in Five Areas

In May 2009, Toffler Associates brought together a group of public- and private-sector senior executives to discuss the process of creating adaptive organizations — organizations that are able to sense the need for and undertake change. In the following, we draw on their insights and our own experience, outlining five areas in which an organization must adapt to remain relevant and effective.

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## The Adaptive Organization

The Information Age has created a dramatically new environment for business — one characterized by constant acceleration. In this era, organizations must, above all, be highly nimble to meet the ever-changing and increasing demands of the world in which they operate. An information-driven society rewards adaptability.

The adaptive organization does not become so by chance. We believe organization leadership must make changes in five areas simultaneously to ensure that all five — people, process, strategy, technology and structure — are aligned internally and with the present *and future* external environments. Highly specific to the organization undertaking it, alignment may require significant reform or investment of resources. The organization that does not align, however, can't adapt effectively to the opportunities and challenges they face and will not survive the Information Age.

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To share views on adaptability with those working to achieve it, Toffler Associates invited a group of public- and private-sector thought leaders to a round-table discussion. Attendees represented government agencies, multinational corporations and academic and research institutions. The conversation gave leaders a chance to collaborate and affirmed the relevance of Toffler Associates' approach to creating adaptive organizations.

Combining their input with our own observations, research and experience, we've developed this paper, "The Adaptive Organization: Fostering Change in Five Areas," to help explain the process of becoming an adaptive organization in a knowledge-based society.

## The Challenge of Desynchronization

The way organizations make use of time, space and knowledge is being transformed as the time required to accumulate wealth and accomplish other objectives shortens, as geographic limitations on trade and other aspects of operations fade and as information becomes available instantly in nearly unlimited amounts.

Changes in the ways organizations leverage time, space and knowledge, however, are leading to desynchronization. A concept pioneered by Alvin Toffler, the theory of desynchronization suggests that different segments of society move at varying rates of change and that organizations must appreciate this fact. If we imagine, for instance, that technology is moving at 100 mph, but business only at 80 mph, government at 40 mph and education at 20 mph, we can see how this causes organizational performance to suffer. In this picture, education lags behind business and therefore produces the kind of employees businesses needed 15 or 20 years prior, not the employees they need now and, more importantly, in the future.

Desynchronization also can occur inside of an organization in any one of the five areas mentioned earlier. If, for instance, an organization's technology is state of the art but its technology-related processes were developed five years ago, the technology cannot be used to its fullest potential.

Because the environment is constantly changing, the risk of desynchronization is constant. The organization that will overcome it must be, at its core, adaptive.

## Identifying the Need for Change

Adaptive capacity begins with the ability to identify needed changes in the operating environment. We can't remedy desynchronization until we've acknowledged it.

The change discovery process is highly specific and can be complex and protracted. Unfortunately, there is no universal scorecard or solution for alignment because different forces of change matter more to different organizations and affect them differently as well. When Toffler Associates is advising a client in this area, we compare the process to sleuthing work. An enterprise may have to follow many leads before it teases out the true problem.

When beginning this process, the organization must remember, above all, that adaptability problems stretch among the five areas of operations — people, process, strategy, technology and structure. The most common pitfall in this type of exercise is assuming that a change made in a single area will solve global problems.

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For example, in one of Toffler Associates' recent engagements, we were asked to help an organization reform its hiring practices to improve employee retention. The client actively sought to hire young people, in part because it desired employees who were creative, independent and self-

motivated — characteristics associated with the newest generation of workers. Once hired, however, a high percentage of these employees were leaving the organization after only a short time of employment. The agency speculated its hiring profile was to blame.

The problem, Toffler Associates discovered, was more than just hiring — it was that "people" and "process" were out of alignment. While the agency's hiring managers valued characteristics associated with youth — creativity, independence, initiative — the agency's processes didn't reflect that. Rather than working independently and creatively, new employees were expected to complete often inflexibly defined tasks in conventional ways and submit their "products" up through an established hierarchy.

Desynchronization was the root of the problem — “people” and “process” were out of synch. Because the internal processes didn’t match the hiring profile, ideal talent wasn’t being used to full capacity and hence sought fulfillment elsewhere.

As this case illustrates, uncovering the source of desynchronization isn’t a simple, clear-cut exercise. Neither is it a “once-and-done” process. Just as an organization will be tempted to attribute operational problems to a single factor, it will also be tempted to think of alignment of their people, processes, strategy, technology and structure as an action to be undertaken and completed.

For the adaptive enterprise, the goal is not to become healthy by making a specific change from “state A” to “state B” — in large part because “state B” will soon be out of synch itself as the environment continues to change. The A-to-B approach will never work. Instead, the adaptive organization understands and embraces that the world is constantly changing, understands the nature of those changes, intuits the optimal (for now) methods of adapting to where things are and where they’re headed, and possesses the temerity to adapt people, process, strategy, technology and structure as needed, continuously. In short, the willingness and ability to change are part of the DNA of the adaptive organization.

## Adaptability in Practice

It may seem obvious that people, process, strategy, technology and structure must be aligned with each other and with the demands of the current and future environments in order for an organization to be successful, but many struggle to make it so. Part of the difficulty is understanding what forces of change matter most to that particular organization and how those forces converge to create the desynchronization that demands adaptability.

Too often, preparing for what the future will demand is hampered by assumptions that tomorrow will be much like today. Organizations need to challenge that thinking by considering the extremes that bound the range of possibilities in both the present and the future environments. The future won’t look like any of these extremes and organizations would be foolish to plan for them. But they can and must make and break hypotheses about how their present or planned behaviors could lead to desynchronization and continual misalignment of their people, processes, strategy, technology and structure — or to the enduring success they seek. Enduring success comes from adapting, as needed and when needed, to the imperatives and alternatives the changing environment presents.

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The process of considering the possibilities of present and future environments (we call it “creating alternate futures”) has been the cornerstone of our work with a range of clients. In applying this approach over the course of hundreds of engagements, Toffler Associates has learned some lessons along the way about bringing each of the five areas into alignment.

Executives at the recent round-table adaptive organization discussion also provided insight on bringing people, process, strategy, technology and structure into synch with one another and the changing environment.

While the following examples illustrate challenges and solutions in each of the five areas of an organization, they do not address the complete synching of an organization. Remember: Changes must occur across the spectrum to be effective.

### ***People: The Benefit of Youth***

The “people” area addresses hiring practices and human resource management.

One organization found that it must be willing to award positions of influence to younger employees. While less tested and experienced than their more mature counterparts, today’s youth works more collaboratively, thinks more experimentally and uses technology more comfortably.

“I have to bring in the young folks who think about the world differently, but then I also have to listen to them,” said one participant.

Younger workers also provide a needed influx of energy and fresh thought to an organization. In addition to experience and institutional knowledge, organizations need new perspectives and dynamism to help ensure success.

“I have to bring in the young folks who think about the world differently, but then I also have to listen to them and let them be part of shaping the organization’s strategy and its future,” said one organization leader. “We’ve got to be willing to bring in a diversity of thought,” he said, adding that young employees also

must be put into a structure and a set of processes that allow their fresh ideas to have an impact.

### ***Process: Fostering Collaboration***

The “process” area addresses an enterprise’s operating procedures.

In studying its operation, one company has found that a top-down-only approach to management is a slow, ineffective method of working and adapting. Employees often view management directives as disruptive and generally do not greet this kind of process with enthusiasm. “You can’t lead a major, driven-from-the-top strategy activity in a diverse business model culture,” said a discussion participant. “It just can’t work.”

Instead, this company is cultivating a collaborative culture in which employees can work together and work curiously — following leads and “connecting the dots” to suggest what the management imperatives and alternatives might be. Leadership is finding that this results in more productive work and better outcomes.

While employees often want to work collaboratively, noted one participant, they are often mired in “an Industrial Age bureaucracy that’s hierarchical and wants to get a singular decision as opposed to a collaborative decision” — a symptom of desynchronization.

To avoid this trap, another company solicits anonymous employee questions via a Web site and promises a 48-hour response. “They can be anything from ‘What is the chief executive’s succession plan?’ to ‘Why can’t we have more paper towel racks in the bathroom?’ But they are constant and they come from all facets of the organization,” explained an executive.

### ***Strategy: Leadership Principles over Directives***

The “strategy” area addresses the leadership and management theories that guide the operation of the organization.

One company working to cultivate a productive working environment has asked its leadership to cede some of its strategy-making power — a difficult proposition and an obvious affront to old standards but one with great potential payoff.

Traditional notions of leadership place executives in firm control of dictating an exact course of action for an organization. In this enterprise, however, executives are less focused on being the sole source of strategy and more focused on developing a culture of innovation. “Create an environment where people love coming to work, can give you their best every day, and feel empowered to champion and carry the ideas of the goal line themselves,” advised one participant.

“If you have a common vision and a common mission and the people can see how their work is linked to some larger good, then transition will occur,” said one executive.

The leadership of this organization cannot dictate every initiative; rather, management is primarily concerned with determining and promoting an organization-wide guiding principle and vision, empowering each employee to fulfill it as he or she sees fit. As one executive said, “If you have a common vision and a common mission and the people can see how their work is linked to some larger good, then transition will occur.”

### ***Structure: Creating a Matrixed Workforce***

The “structure” area addresses the way different areas of the organization work together.

In the Industrial Age, work environments were hierarchical — the chain of command was clear and linear, and each employee did only the tasks that fell within his or her specific job assignment. One company recognizes that an information-driven society, however, demands that the workforce be structured more efficiently and in a manner that can better adapt to changing circumstances.

To make the best use of employees and their talents, this organization is adopting a networked, matrixed workforce structure. In this approach, the organization relinquishes exclusive control of its talent, adopting an inclusive model that draws on the best talent available — internal and external. Rather than being separated by department and job description, employees in this matrixed organization form networks made up of a moderate force of generalists and a smaller number of specialists. When necessary, generalists and specialists are assisted by a reserve of contingency workers — experts who are on-call and available. Contingency workers are called in when the

organization requires a fresh perspective, highly specialized expertise or skills that can't be learned internally in the required timeframe.

While Industrial Age organizations were often built around specialists, adaptive organizations hire people who bring a range of ideas to discussions and tasks. Adaptive organizations hire for interpersonal, teaming and leadership abilities, not just specific competencies. Therefore, the emphasis should be on hiring first-rate minds. Proficiencies can be learned, but Information Age organizations need thinkers who can work intuitively, seeing scenarios and patterns where only pieces of information exist.

### ***Technology: Enabling Knowledge Transfer***

The "technology" area addresses how organizations use information systems, communications systems and other tools to enable business operations.

In this area, many organizations make the same mistake: viewing technology as a backbone or piece of infrastructure rather than a tool to enable knowledge transfer among organization members. This creates a "work-around" culture in which members use technology but don't leverage it in such a way that it can help lead the organization.

One organization has struggled trying to provide its people with the tools they need to perform effectively as the agency's mission and environment change. For example, they had evolved their business model to allow employees to work from home or in field offices closer to their customers but have provided these workers with outmoded computers and mobile phones, making it difficult to remain up-to-date on management guidance from headquarters. They also found that one particular knowledge management system was so vital to the organization's strategy that losing it risked mission failure, but that their contracting and other processes were so archaic that they could only apply patch after patch instead of installing a state-of-the-art replacement.

"We needed a top-to-bottom assessment of what the roadblocks are to modernizing our IT systems and a plan for adapting them to be ready for what the future demands," said an executive.

In another example, a U.S. military organization outfitted troops overseas with complex electronic interpreters that would capture speech and translate it into English. The problem with these \$10,000 machines, however, was that they only facilitated one-way communication — they didn't translate English into the native language, so soldiers could listen to but not speak to nationals. Improvising in the field, a group of Marines developed a picture board that allowed military personnel and nationals to communicate pictorially. Each board cost only \$10 and improved communication substantially.

In both examples, the technology in question would have been immeasurably more effective had its users recognized its true purpose: communicating knowledge efficiently. Whether it is a case of too little technology (as with the outdated equipment) or too much (as with the ineffective translators), desynchronization occurs when technology becomes another cog in the infrastructure instead of a way to drive effective communication.

“Technology has to be about knowledge transfer,” said one participant. “It has to be about getting something done.”

## The New Key to Success

While the process of “becoming adaptive” may be challenging, the principles behind it are simple. First, be aware that desynchronization exists. An organization that isn’t aware of the phenomenon can’t begin to identify it. Second, consider an organization’s performance through the synchronization lens, thinking

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relationally about each of the five key areas. An organizational challenge will rarely be traced to a single area of the enterprise. Third, think creatively. Synchronization problems are complex — they’ll demand equally complex and imaginative solutions. Avoid the easy fix. Consider the firm that undergoes endless reorganization without adjusting processes; the company that invests in enterprise resource management technology without accounting for how its employees use technology or how they interact *without* technology; the agency that changes its hiring profile without addressing its strategy or its structure. These changes, made in isolation, are doomed to fail.

Finally, know that the truly adaptive organization is one that actively prepares to face environmental changes now and in the future. Understanding the drivers that are accelerating the pace of change around your organization is a vital part of this preparation. It’s also important to take time today to imagine the possible “alternate futures” for the organization, given what’s driving change. Look back from that vantage point to plot a clear, smart, adaptive path ahead.

“We’re entering an era in which the nimbleness of an organization and how fast it can change are really the measures of its value,” said one participant. Making the right changes in people, process, strategy, technology and structure is key — aligning them with each other and with the changes swirling around the organization.

The Information Age has redefined the model of a strong, well-run organization. The old paradigm called for building organizational power. Under the new paradigm, however, organizational adaptiveness is the key to success. In the face of today’s and tomorrow’s challenges, organizations entrenched in traditional ways of doing business will falter. It’s the adaptive organizations that will excel.