Deloitte.

The Adaptable Organization
Harnessing a networked
enterprise of human resilience

Contents

The Adaptable Organization

is a fundamental shift in operating and management philosophy

that enables large-scale global organizations to operate with a start-up mindset and drive modern people practices that enable enterprise agility through empowered networks of teams

Introduction

The future belongs to the Adaptable. It always has...

The world around us is moving at an unprecedented pace, but there is also an innate feeling that we have been here before.

In times of disruption, we can sometimes look to the past for inspiration. Put yourself in the shoes of a business leader in the early 19th century. In the span of two decades, people and businesses had to adapt to the world being turned upside down with the advent of flight, the lightbulb, telephone and automobile. But in the midst of this radical change, some businesses not only survived but thrived, leading to the rise of new industries in banking, transportation, telecommunications and energy. More than a century later those businesses are now all in the cross-hairs of large scale disruption, add to that record (and continuously dropping) levels of engagement and you have a perfect storm of externally imposed change and often a lack of internal readiness to deal with it. Pick up a front-page cover in the popular business press, or view the landing pages of consultancies, universities or industry associations, and one sees the same set of issues being debated. Whether it's about enterprise agility, customer connection, being purpose driven or simply breaking out of old hierarchical patterns, global businesses are triangulating around a common target, which is ultimately about increasing their relevance to both their employees and their customers.

Moving forward in today's digital age involves a complete shift in mindset, culture and operating philosophy. However, the collective immune systems of many global businesses are increasingly brittle and may easily crumble under the enormous weight of technological disruption and rapidly shifting consumer expectations. Compounding the challenge,

today's management systems, structures and talent strategies tend to be outdated, designed for an era when size and enduring stability defined competitive advantage. Organizations that once benefited from a size-and-scale strategy have rapidly disappeared from the S&P 500[1] and original Dow Jones index.[2] And today, just 14 percent of CxOs report a high degree of confidence in their ability to make the changes that the digital revolution requires.[3] Beyond the C-suite, employees' trust and confidence in business and government is at the lowest levels in decades.[4]

Amidst these changes a new breed of successful organizations is emerging in this fourth industrial revolution that is shifting away from command-and-control cultures towards management practices that harness diverse crowds of people who are engaged, energized and focused on surprising and delighting customers, unencumbered by excess bureaucracy and pursuing both personal and business goals with purpose.

The technology start-up offers a model for understanding how to become an Adaptive Organization that can flex to market developments, while energizing teams to deliver breakthrough products and solutions. The factors that help make these fast-scaling workplaces irresistible can also unlock a new way of leading, enabling, working, and organizing.

What is an Adaptable Organization?
Organizations thriving in a complex world of uncertainty show bold disruption and continuous innovation. Relying on the human desire for resilience and reinvention, these organizations embrace change and rapidly morph to respond to shifting customer, environmental and market needs. Adaptable Organizations remove the belief

in scarcity, structure and control and replace it with an ecosystem that learns from the past and adapts accordingly to help ensure survival of the overall system. In this sense, Adaptable Organizations are living and breathing enterprises organized around networks based on how people work and behave, distributing and maximizing human potential.

Considered another way, Adaptable Organizations do business inclusively. Figure 1 compares stable and adaptable organization characteristics. Diversity is not how an organization does its work or how someone leads. D&I is part of the ethos of a company – inclusion/inclusive behaviors is how the CEO and everyone else leads and connects. This thinking enables it to listen to new voices, adapt in real time to each new individual it employs, and leverage methodologies to foster richer, more innovation solutions.

A few years ago, an organization's desire to become more agile and innovative was an indicator of success; now it is an imperative for survival in unstable markets. Organizations that are not directly impacted by increased market pressure and that often appear stable on the surface, such as government or not-for-profits, are also searching for adaptability.

Over the last two years, large not-for-profits, large-scale central governments, traditional retailers, banks and energy companies have all been experimenting on the journey to adaptability. They are focused on empowering front-line networked teams to make quicker and better decisions for customers, citizens and stakeholders, by undertaking a mindset shift, and reimagining empowered organizational designs, talent strategies and leadership development tactics. The pages that follow describe what we have learned through these journeys.

Figure. 1: In a world where the future is uncertain, organizations should consider shifting stable and predictable characteristics to adaptable ones.

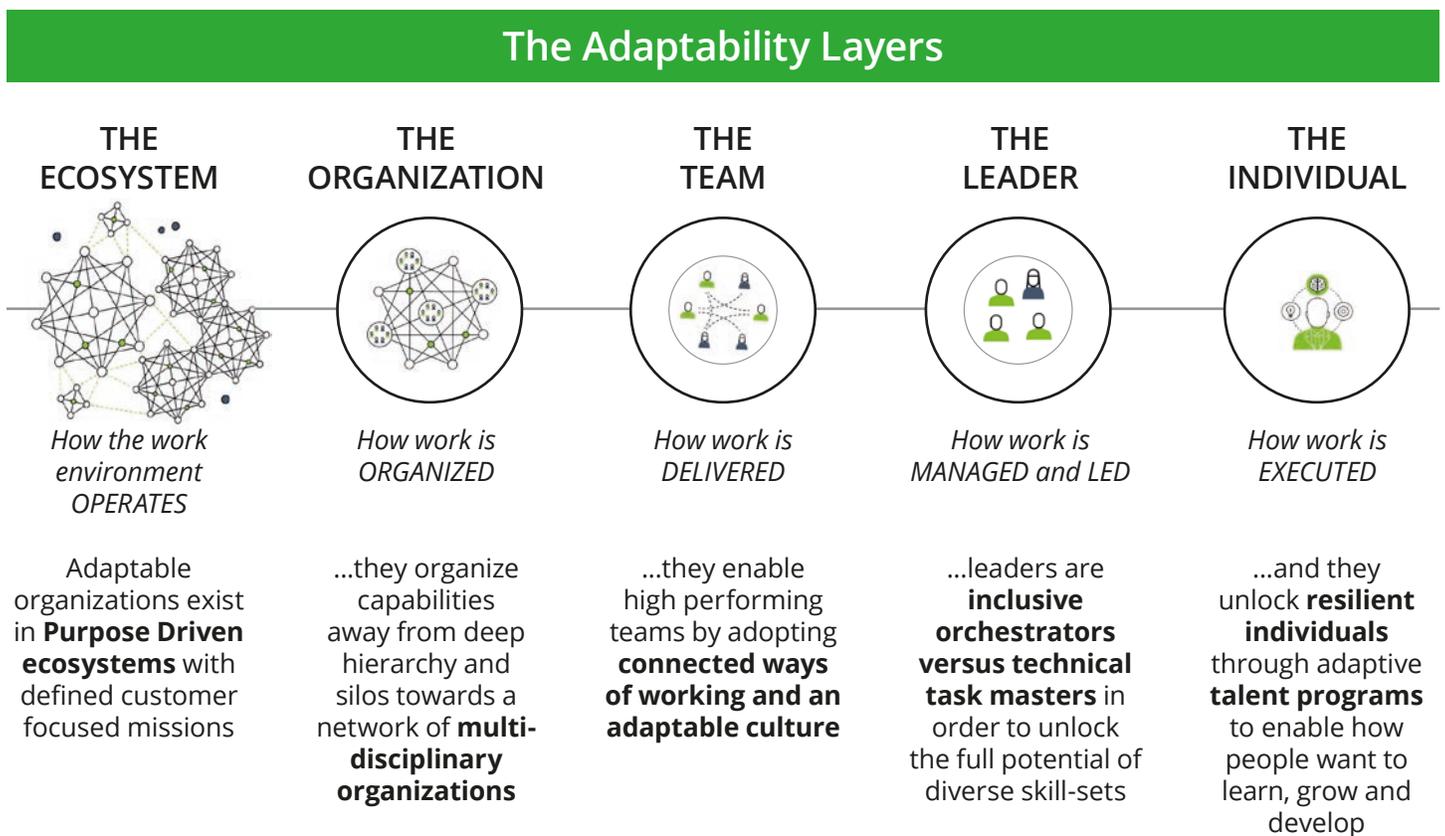| Stable Organization		Adaptable Organization
Profit Driven	⋯⋯⋯⋯	Purpose Driven
Internal Focus	⋯⋯⋯⋯	Customer Focused Ecosystem
Hierarchical Structure	⋯⋯⋯⋯	Flexible Network of Teams
Siloed and Bureaucratic Interactions	⋯⋯⋯⋯	Agile Ways of Working
One-size fits all Talent Management	⋯⋯⋯⋯	Individualized Talent Engagement
Resistance to Change	⋯⋯⋯⋯	Change and Learning are Continuous

Five layers of an Adaptable Organization

Based on our experiences over the last few years, we have summarized what we view as five fundamental layers of Adaptable Organizations:

1. The Ecosystem
2. The Organization
3. The Team
4. The Leader
5. The Individual (see Figure 2).

Just as the cell is the building block of all living things, in the Adaptable Organization a team composed of versatile leaders and resilient individuals is the building block for adaptability. Latent human potential is driven through each layer of the organization and throughout its culture.

The following sections explore each of these layers and how they can contribute to adaptability.

Figure. 2: The Adaptable Organization can be viewed at five layers from an adaptive ecosystem down to the individual.

The Adaptability Layers

THE ECOSYSTEM	THE ORGANIZATION	THE TEAM	THE LEADER	THE INDIVIDUAL
How the work environment OPERATES	*How work is ORGANIZED*	*How work is DELIVERED*	*How work is MANAGED and LED*	*How work is EXECUTED*
Adaptable organizations exist in **Purpose Driven ecosystems** with defined customer focused missions	...they organize capabilities away from deep hierarchy and silos towards a network of **multi-disciplinary organizations**	...they enable high performing teams by adopting **connected ways of working and an adaptable culture**	...leaders are **inclusive orchestrators versus technical task masters** in order to unlock the full potential of diverse skill-sets	...and they unlock **resilient individuals** through adaptive **talent programs** to enable how people want to learn, grow and develop

The ecosystem

In stable organizations, competitive advantage can be achieved using internally focused strategies. In unpredictable times, organizational survival depends on understanding a broader external ecosystem where purpose and goals are targeted to customer missions which become a north star to rally leadership and teams around.

Ecosystems that leverage external communities, collaborations, and alliances can better sense shifts in the environment to remain competitive.
Historically, organizations have looked within themselves to drive market relevance and competitiveness, scanning the market infrequently and rarely leveraging talent within the organization for real-time insights.

In an Adaptable Organization, understanding the external environment becomes a continuous activity that fuels constant efforts to evolve the business.

Adaptable Organizations embed themselves in external networks and position workers to take on the role of "active sensors," always detecting, scanning, and adapting to fluctuating customer needs.

Building a culture of constant environmental sensing helps people inside the organization to be open about what they are seeing and how they believe it will impact the organization. It is a stark contrast to the "set it and forget it" strategy and organizational design that traditionally occurred every three to five years.

Yet this expansive system can easily become misaligned and requires a greater purpose to remain connected. Figure 3 highlights the Adaptable Organization at the core of the ecosystem, driving the focus, continuity, and strategy of the organization; the flexible contingent workforce that occupies roles with fluctuating demand; the outsourced specialists or vendors that provide specific services

to the organization; and the community/crowd – a modern form of workforce linked to the world. All are connected through shared purpose. Organizations are beginning to adjust their culture to engage the external talent ecosystem.[5]

The broader ecosystem increases the surface area of the traditional organization, providing more space to predict the needs of customers and citizens.

Figure. 3: An ecosystem is an open, worker-led organization that includes increasing use of external flexible workers and ongoing input from customers and the crowd to help stay ahead of market shifts.

A shared purpose connects the ecosystem; defines success through the eyes of customers, stakeholders and society; and helps motivate people to succeed.

Not only are Adaptable Organizations able to respond quickly to changes, but they also take their role as a social enterprise seriously, moving away from being solely a "business enterprise." These organizations aim to engage and connect with the hearts and minds of their workers, customers, communities and societies-at-large.[5] Adaptable organizations are grounded in social purpose and bring teams on a journey while responding to changes with agility, speed and ease.

A shared purpose is the 'glue' that holds the ecosystem together. In the absence of a strict and controlling hierarchy, a purpose becomes the North Star, reducing the need to constantly seek direction from superiors. By bringing a purpose statement to life and connecting the dots for workers through storytelling and meaningful narratives, workers are more likely to commit to the organization's strategy and execution.

Research indicates that focusing on purpose, rather than only profits, builds business confidence. According to research by Bersin™, Deloitte Consulting LLP, 82 percent of employees who work for an organization with a strong sense of purpose are confident their organization will continue to grow.[6]

When organizations define their success through the eyes of their customers, stakeholders, or society, people come alive.

To capture this success, organizations must be able to translate their purpose into a set of customer-focused missions.

Purpose-driven companies have 30 percent higher levels of innovation and 40 percent higher levels of retention, and tend to be first or second in their market segment.[7]

A bold organizational purpose cascades through the organization using customer-focused missions.

Missions decompose customer focused strategies into outcomes that teams can organize around. Missions should be revisited and refreshed constantly, in concert with changes in the ecosystem.

Characteristics of effective missions include being:

• Linked to measurable outcome(s) to inspire focus on a common goal

• Aligned around a differentiator for the organization in the marketplace

• Inspirational and motivating

• Independent and discrete from the missions of other teams

• Organized around closeness to the customer

• Focused around a goal/organizational unit that is under particularly intense competition or market disruption

Mission-based design leverages the natural human tendency for teams to self-optimize by keeping missions independent from other teams but still connected to the organization's purpose. In this model, every team directly benefits the organization without impeding the success of another team.

In its design, an Adaptable Organization balances customer-focused mission teams and centralized functional capabilities to deploy agility and efficiency appropriately.

For example, a recent Adaptable Organization redesign with a banking client used components of the customer experience to define missions (e.g., "help me invest for the future," "help me manage my lending accounts"). Teams were organized around specific things that mattered to "every day" people looking to build nest-eggs, saving for a first home or paying for their children's education. It's a lot easier to understand the role you play in delivering against your company's strategy when your day-to-day work revolves around what makes customers happy.

The organization

When change is predictable, stable organizational hierarchies can support order, clear decision-making and functional silos to enable maximum efficiency. However, in an era of exponential change, traditional organization models cannot keep up effectively.

Adaptable Organization design aligns formal and informal structures to customer- focused missions.
Traditional organization charts are outdated. "Sticks and boxes" offer little insight into how work gets done and who influences whom. Organization charts cannot account for the blurred boundaries of the broader ecosystem. There is a better way to understand the interplay of informal and formal organization design.

In an Adaptable Organization, value emerges from assessing informal structures within the organization. This horizontal network consists of relationships, power, connections, and informal communication. Because the informa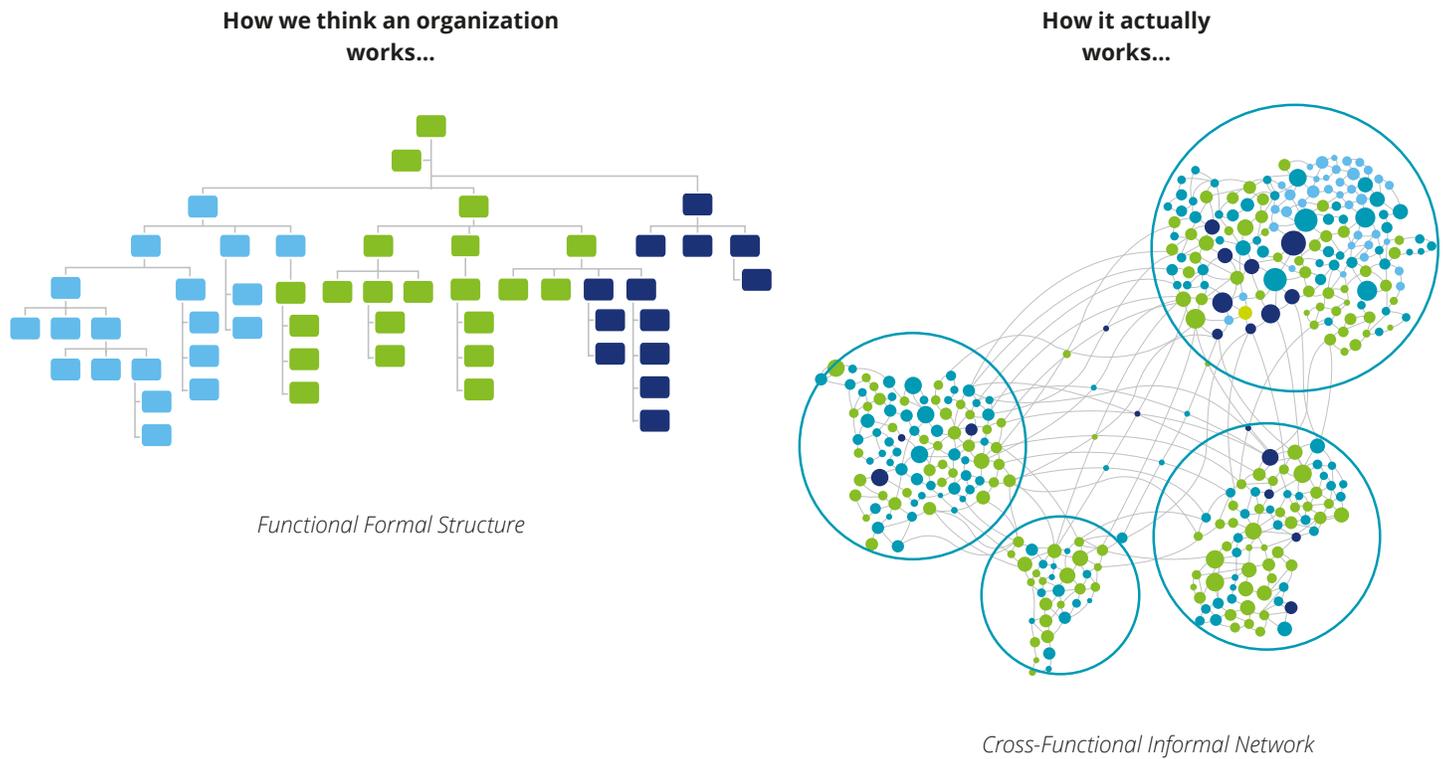l system can be more powerful in influencing behavior, efforts to innovate within the formal system often fail. Today, even successful organizations may succeed despite their structure, rather than being enabled by them, and the collective "calorie burn" of individuals trying to navigate a structure that works against their preferences and working norms, is a truly wasteful endeavor.

Organizing work along informal systems in the way people naturally behave helps maximize opportunities to drive experimentation, innovation, and idea generation and makes for a happier workplace.

Recently, Deloitte conducted an organizational network assessment for a professional services client. It revealed distinct communities operating beneath the organization chart that consistently had to cross structural boundaries to get work done. It also identified that mistrust in the organization stemmed from an inability to understand the responsibilities of other siloed groups. This situation is common as leaders attempt to control unpredictability through hierarchical organization designs. Happily, the knowledge of these networked relationships enabled the firm to create cross-functional teams aligned around how people actually worked to make the customer happy. With these newly formed groups, trust and productivity significantly improved.

Similarly, a successful technology company's IT function prided itself on being strategic advisors to the business and on proactively reaching out to customers. It had built a traditional functional structure and business partners reported to the IT function. But the company understood it had to adapt to the changing needs of their customers and improve their time-to-value. Using network analysis to capture the flow of information and the strength of the relationship between IT and the business, the group discovered customers initiated over 60 percent of their interactions – they were not nearly as proactive as they had thought! Knowing this, the company redesigned roles to be closer to customers, allowing them to operate with more speed. Next, it eliminated silos. Once organized vertically in 14 separate sub-functions, network insights revealed they really connected in just four communities. The company re-grouped teams naturally in these four groups, giving them greater ability to flex quickly to customer needs. Finally, they discovered customers with multiple points of IT contact enjoyed higher levels of satisfaction than those connected to a single business partner. They therefore redesigned their teams to give customers more points of contact and expertise. See figure 4a for an external view of how the informal network connects individuals across several functions.

Figure. 4a: Functions in an organization chart do not tell us how people actually work. All organizations have a hidden informal network of interactions that may undermine formal structure to get work done. Here, 3 separate functions (indicated by the colored dots on the organization chart and networks) actually informally connect through a network of 4 cross-functional communities (circled) that have little to do with the functions they reside in.

How we think an organization works…

Functional Formal Structure

How it actually works…

Cross-Functional Informal Network

Building a network based on natural human interactions does not mean relying on people to form networks and hope they meet the needs of the organization. Adaptable Organizations prioritize design efforts on getting as close to the customer as possible.

Adaptable Organization design uses informal networks to assess how individuals and teams align to identified customer missions.
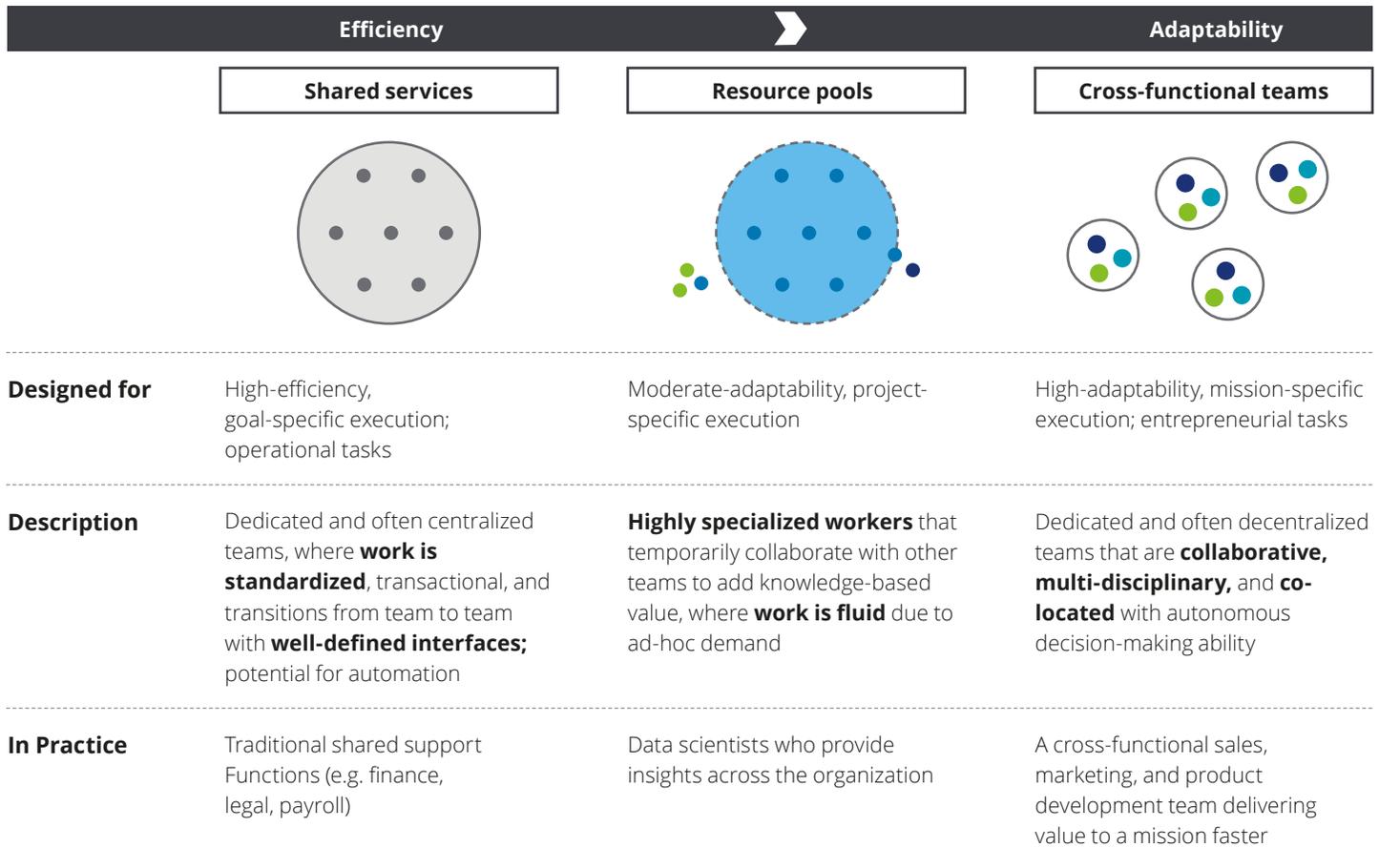
The new networked design must balance customer adaptability and scaled efficiency.
Far too many organizations ignore informal structures, the complexity of the work and surrounding environment. In the ongoing battle between efficiency and flexibility many organizations believe that they can only have one or the other.

Adaptable Organizations simultaneously manage efficiency and flexibility through centralized and decentralized teams. They also recognize that organization design

is not static and shift teams accordingly as the work or environment shifts. Figure 4b outlines how certain teams within the organization may operate in a more centralized, operational-focused "Shared Services" model, whereas others that interact with the external ecosystem with a growth and innovation focus may deploy more cross-functional teams. Even with customer mission-based design, many organizations, particularly in highly regulated industries, will need to maintain a stable backbone of internal support functions. Organizations pursue efficiency, structure and functional expertise in an adaptability model where it makes sense.

Figure. 4b: Teams can be organized on a scale of efficiency and adaptability, depending on focus, complexity, and interaction with the external ecosystem. Using the results of network analysis you can identify the functions that work more closely together than others.

	Efficiency ➤		**Adaptability**
	Shared services	**Resource pools**	**Cross-functional teams**
Designed for	High-efficiency, goal-specific execution; operational tasks	Moderate-adaptability, project-specific execution	High-adaptability, mission-specific execution; entrepreneurial tasks
Description	Dedicated and often centralized teams, where **work is standardized**, transactional, and transitions from team to team with **well-defined interfaces;** potential for automation	**Highly specialized workers** that temporarily collaborate with other teams to add knowledge-based value, where **work is fluid** due to ad-hoc demand	Dedicated and often decentralized teams that are **collaborative, multi-disciplinary,** and **co-located** with autonomous decision-making ability
In Practice	Traditional shared support Functions (e.g. finance, legal, payroll)	Data scientists who provide insights across the organization	A cross-functional sales, marketing, and product development team delivering value to a mission faster

The design of an Adaptable Organization will be very different for each organization, but will always rely on teams. Deloitte has long-advocated the power of networks-based teams.[8] Team-based design focuses less on who people work for and more on who people work with. Teams are diverse, often cross-functional, connected by specific missions to serve a customer, product or organizational outcome and have clearly defined cultures, mindsets and behaviors. Teams working in this way can more easily leverage the power of diverse thought to help achieve successful outcomes by working with (or even more easily meeting with) people who think differently, who ask different questions and approach problem solving in a way that helps the group see around all sides of a challenge.[9]

Deloitte worked with a bank to help it unlock its vision to be more customer-centric, agile and flexible. The bank implemented an innovative, network-based team model, aligned to specific customer outcomes. Instead of focusing on internal products, the bank now organizes itself around the ways customers want to interact with it, supporting a range of human touch points and a uniform experience across all channels and platforms. The bank adopted agile principles, transforming ways of working, culture and team behaviors.

The initial design leveraged an operating model in which the teams closest to the customer and the external ecosystem operate as a network of cross-functional teams while core operational teams operate in various team structures to serve the needs of the customer-focused teams. Immediate feedback suggests the power of collaboration energizes leaders and enables teams to own independent missions increases communication, trust, knowledge and ultimately the organization's ability to deliver to its customers.

To enable an Adaptable Organization, carefully establish flexible governance and decision-making models.
For this model to work effectively, governance (decision making) must also become adaptable, given the absence of traditional top-down formal hierarchy.

Adaptable Organizations deploy minimal bureaucracy (e.g., pushing signoff authority down to lower levels of the organization) that supports appropriate risk management without excessive meetings, reviews and escalations. To enable success, power should flow away from those who are likely to defend their autonomy and towards those who seek to support the organization's purpose. Decision-making roles are radically transparent. Governance forums operate on a rhythm so engrained in the organization that they become the metaphorical heart, pumping information and decisions throughout the organization to keep it constantly moving forward.

A test-and-learn approach to implementation is typically more effective Adaptable Organization design.
When shifting from a purely stable organization to an adaptable one, evolutionary, incremental changes are most effective.

Figure 6 on the following page, highlights options, starting with a safely-piloted approach in projects or experimentation to test the culture and ways of working required for the organization. Some organizations will aspire to move all the way to the right and deploy autonomous, customer-focused P&L accountabilities and teams across the enterprise. Others will see maximum value somewhere in the middle.

For instance, a not-for-profit organization recently adopted an agile-inspired governance structure that put greater decision-making accountability into teams and increased the thresholds requiring decisions from senior leaders. This shift in decision-making means cross-functional teams can deliver value faster and have a deeper impact on the communities they serve. Clarity about decision-making rights and responsibilities is critical for all team members, but a shift to greater levels of individual empowerment may be especially challenging in more hierarchical environments. Help with the transition is necessary.

The structure, governance and models will look different depending on the stability of the external environment and the complexity of customer missions. However, generally speaking, leading practices encourage a larger number of cross-functional teams in order to minimize hand-offs and work more holistically towards solving customer needs.
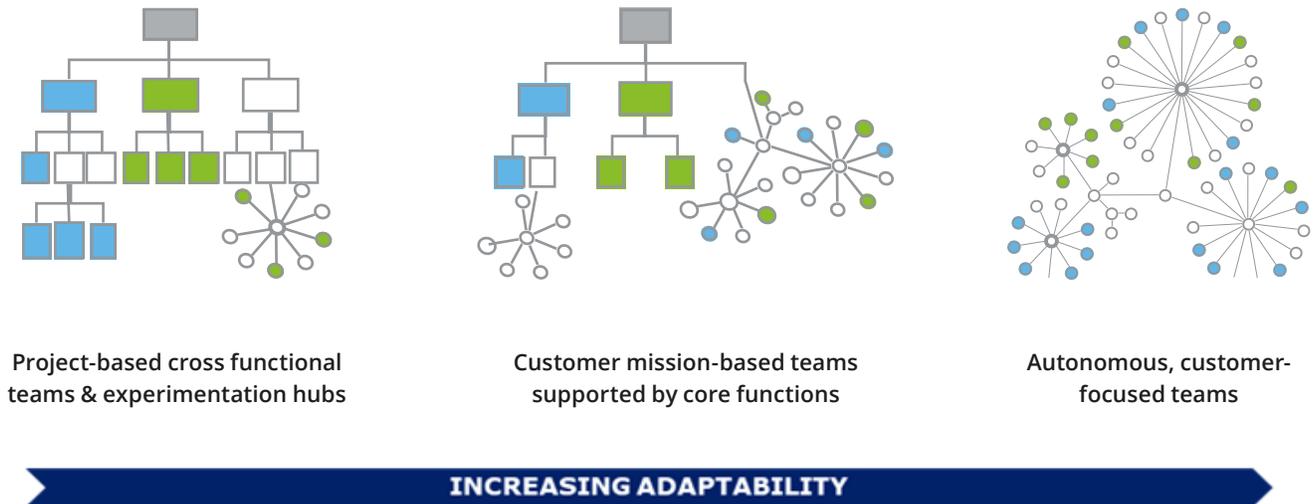
Once established, the customer-focused structure comes alive, now representing an organism instead of a rigid, mechanistic organization.

Flexible design establishes a platform enabling the free-flow of ideas, culture and change across the organization, and aligns teams, leaders and individuals to the new way of working. Measuring the success of these models in new ways balances their tangible and intangible value. Adaptable Organizations emphasize softer metrics like team performance and human relationships.

In many team-based organization designs, the concept of a C-suite does not disappear; in fact, it becomes more important and requires symphonic harmony to navigate today's complex environment. The role of the C-suite shifts from independent functional experts to the ultimate cross-functional team.[5]

An Adaptable Organization only emerges through a long-term series of many small changes that eventually change the DNA of the organization.

Figure. 6: Many organizations begin the adaptable journey by testing adaptable concepts in customer facing areas of the enterprise, most prone to disruption while maintaining a stable backbone of efficient shared services. As the culture, ways of working, and governance is tested, many organizations will make the shift to fully integrate cross-functional teams. Many large multinational organizations will find themselves somewhere in the middle and managing a dual operating model or flexible and stable designs. To keep the organization moving in the same direction, connecting teams to a greater mission and enterprise purpose becomes even more important — especially in a dual operating model environment.

Project-based cross functional teams & experimentation hubs

Customer mission-based teams supported by core functions

Autonomous, customer-focused teams

INCREASING ADAPTABILITY

The team

Conventional wisdom believes that high-performing individuals deliver organizational performance. Adaptable Organizations place greater emphasis on the team and help unlock individual performance through team composition and new ways of working.

Individual performance is intrinsically linked to team composition.
This logic around high-performing team development has been clear for some time, but many earlier team-based designs failed because the organizations put individual performance ahead of team and did not account for instability in the external environment.

A high-performing team is always worth more than the sum of its parts and radiates resilience which resonates throughout the organization. Three distinct components mark a diverse, high-performing team: 1) a shared outcome, 2) iterative and empowered execution, and 3) a climate or culture promoting fairness, constructive conflict and psychological safety, (see figure 7 for more details). Teams that have deliberately moved into the rhythm of trust, clear mutual accountability, and

Our research shows ideas developed by teams with three or more members have 156 percent greater appeal with customers, than teams with one or two key contributors[10]

transparency have constructed a safe climate that celebrates diversity of thought and anchors team members in the social purpose of the organization.

With each member bringing diverse perspectives, unique skillsets, and broad experiences, an organization's potential grows.

In this landscape, an uninterrupted dialogue connects individuals and teams to overall mission, objectives and priorities to align activities to target outcomes. Tasks assigned to team members should be meaningful to maintain commitment while simultaneously driving collective team ownership. Team members are empowered to make decisions and free to take on new roles as needed to achieve the mandate.

A cohesive team of average players can easily outperform a team of dysfunctional star athletes.

Figure. 7: High-performing teams should meet three broad conditions

Shared Customer Outcomes focus on value, meaning and customer interests at the heart of the team's activities

- High performance culture based on motivation
- Mission driven, not profit driven
- Customer is the beat of our collective heart

Iterative & Enables Empowered Execution addresses how the team operates throughout its daily activities to continuously improvement its outputs

- Fast feedback loops enabled by focus and discipline
- Experiment friendly and ability to deal with ambiguity
- Transparency and data-driven decision making

Psychological Safety is a shared believe that I can be my authentic self, openly share my ideas and opinions without the fear of negative consequences

- High level of trust
- High degree of team ownership and accountability
- Team rather than individual focused
- Visible action for both failure and success

Clear focus unites the team to the organization's purpose.
In an Adaptable Organization, a network of teams centers upon a clear purpose and a set of core values. While this common purpose provides guidance and direction for individuals and teams, each team has its own clear focus on one mission or outcome. The number of desired outcomes sets the number of teams, and as outcomes change, teams shift to meet the new demands.

Iterative and empowered execution with transparent decision rights is critical.
The principles of agile software development and agile management have succeeded in many business contexts. Such principles put the customer and outcomes at the center of every decision. They are able to achieve adaptability by failing fast and delivering work frequently, stressing collaboration over individual contribution, promoting frequent face-to-face meetings to identify issues and make decisions, and reflecting at regular intervals on how to be a more effective team. All these elements are key factors in adaptability.

Many of our clients (beyond the IT function) have been adapting components of agile methods to keep teams aligned including daily stand-ups, iteration reviews, cross-team planning to handle more complex problems and retrospectives that offer a safe place to discuss problems and improvements. Taken together, these methods help connect teams and support the right environment for accountability and autonomy.

The adaptable environment helps create a safe place for collaboration and connected ways of working.
Many organizations believe that their teams already practice effective collaboration, but most do not. What teams label

'collaboration' usually is not; instead many people work with who and what they know, taking a 'low risk' approach to getting work done. As organizations embark on the adaptability journey it is important to consider what tends to hold most teams back from true collaboration:

- No universal understanding or definition of collaboration

- Confusing collaboration with consensus-building, where consensus can be used to avoid accountability

- Preference for face time, even where video conferencing exists

- Formality. When people resist showing their "human" side, it can take longer to build a safe space for team rapport

- Too much focus on the immediate team, in lieu of a deeper understanding of how the broader organization works

No single, prescribed methodology makes teams great, but effective organizations always take time to build collective understanding to work in this new way. They invest in workplace environments that enable true collaboration. Leaders also become a linchpin for modelling new ways of working.

The team is a core element of the Adaptable Organization and can only be as successful as the leader who empowers and enables it. Teams cannot thrive in new environments if leaders are stuck in old mindsets and ways of working.

True collaboration can unlock latent productivity and inclusion, and can realize higher employee engagement and agility to help accelerate execution of the business strategy.

The leader

As organizations pivot and adapt to shifting contexts, the adaptability of leaders becomes essential. Leaders should be versatile, able to energize, empower and connect people across the ecosystem and to lead any team in any context.

In the Adaptable Organization, leaders exist at all levels and are inclusive orchestrators who foster an environment for high-performing teams.
To be able to transition successfully to the Adaptable Organization, leaders must drive change. Leadership has traditionally been hierarchical and somewhat monolithic; leadership roles have conventionally been bestowed upon those considered most expert or experienced. But flattening hierarchy to a distributed, team-based model demands leadership at every level and allows leaders to emerge in the "hidden networks."

This represents a shift to multi-focus, multi-context leadership, in which individuals lead regardless of function, technical discipline or hierarchy. Direction, vision and inclusivity define leadership rather than just technical knowledge. The leader demonstrates inclusiveness by words, actions, and priorities and measures success differently. And when they possess commitment, curiosity, cultural intelligence and cognizance of bias they can be nimble in the face of diverse talent, customers, ideas and emerging markets.[11]

In a model that puts the team at the center, it is tempting to view leadership as distributed, collective and somehow shared. But leaderless teams do not generally function effectively. As the context in which leaders operate becomes more complex, it is more important than ever that organizations invest in developing leaders, and more people need to become skilled in aspects of leadership.

The influence of leadership style on an organization's adaptability can be illustrated through Deloitte's recent work with a well known US based organization. The organization had previously been rooted in a culture of fear and avoidance, where decisions were escalated to the CEO by default because leaders (at all levels) feared making mistakes for their decisions. It was only after the CEO stood on stage in front of employees and shared a story of personal failure, that this mindset began to shift. Leaders in the organization began to recognize the need for vulnerability, risk-taking, inclusivity, and the breaking down of traditional role barriers. This ultimately led to more empowered teams who were comfortable with autonomous decision- making, which is an integral component of an agile, constantly-adapting organization.

Complexity demands leadership and versatility.
In an adaptive context, three leadership capabilities become paramount: the ability to Energize, Empower and Connect.

Where change is constant and disruption rife, oftentimes skill sets are increasingly redundant and fear and apprehension are prevalent. Leaders should Energize their people, articulate a compelling vision, instill a common sense of purpose, and provide belonging. To build and sustain an Adaptable Organization, leaders should be able to energize all people, regardless of personality, background or motivation (see figure 8). With Deloitte's support, leadership at the aforementioned organization took their teams through structured exercises to build a collective mission and define working norms.

The Adaptable Organization also requires a culture of innovation and flex to respond to shifting customer, environmental and market needs effectively; thus, leaders should Empower others. It is unrealistic and inaccurate to expect a handful of people at the top of an organization to always have the best answers and ideas. Instead, a major predictor of creativity is subject matter expertise. Those closest to challenges and opportunities often have the greatest potential to innovate. Leaders should delegate responsibility and relinquish control to leverage the collective abilities of the entire organization. Encouraging experimentation, continuous learning, and instilling a fail-fast mentality in those they lead should become their role.

The ability to Connect means encouraging collaboration across boundaries, connecting silos and unlocking potential synergies to cultivate and strengthen networks of teams. It's important for leaders to be optimistic about the capabilities of others, drive collaboration, be inclusive and value the contribution of a diverse range of individuals to unlock latent potential.

Identifying and developing leadership qualities at all levels of the organization drives adaptive potential.

With the shift to purpose-driven teams in an Adaptable Organization, it is critical that talented leaders exist at all levels. Therefore, organizations should focus sharply on developing the ability to Energize, Empower and Connect in their leaders and leadership pipeline. Identify individuals who are naturally 'wired' to lead in this way and who have the raw material to develop these capabilities at speed – and then invest in initiatives that focus on their development.

How leaders lead is the key factor determining the transition to an Adaptable Organization. Effective leaders must embrace change, navigate ambiguity and complexity, and harness an increasingly diverse workforce.

Figure. 8: The adaptable leader requires capabilities stripped back to the core elements of people leadership — the return of the psychological leader

Leadership Capabilities
(learnable)

ENERGIZE

Co-create the mission with the team

Provide psychological safety

EMPOWER

Enable empowered execution

Cultivate the skills needed for change

CONNECT

Build international collaborations

Get buy-in from diverse stakeholders

Personal Factors
(accelerators or derailers)

- SOCIAL FLEXIBILITY
- PEOPLE REGARD
- DRIVE
- SELF-BELIEF
- CHALLENGING
- RISK TAKING
- CONCEPTUAL THINKING
- BREADTH OF PERSPECTIVE
- RESILIENCE
- EXPERIMENTING
- DECISIVENESS
- EMOTIONAL INTELLIGENCE

The individual

The traditional view of the employee assumes people inherently resist change and talent programs provide stability. In Adaptable Organizations, resilience and accepting change becomes part of the organization's DNA and talent programs exist to enable that resilience.

Adaptable is not something you do, it is something you become.
If an organization successfully aligns ecosystem, organizational structure, team environment and leadership, it's likely to quickly realize that it should also nurture resilience in its people in the face of constant change.

Successful leaders understand the unsettling impact that change can bring. They also recognize that the success of their Adaptable Organization depends greatly on people being comfortable with the unknown and accepting new ways of working. Focusing on constant change, disruption and adaptability can make leaders forget that humans are fundamentally nervous about uncertainty, and they may forget the consequences of not helping their employees become accustomed to new ways of working.

To this end, it's important for leaders to coach their people. An adaptive individual thinks with a:

- Global Mindset: Openness to and awareness of diversity across cultures with a propensity to leverage differences and find common ground

- Growth Mindset: Thriving on challenge and seeing failure as a springboard for growth and stretching existing abilities

- Design Thinking Mindset: Using logic, imagination, intuition and systemic reasoning to explore possibilities and design outcomes that benefit customers

- Diversity of Thinking Mindset: Looking for and leveraging different perspectives and approaches to solve problems and seize opportunities

Talent programs must work in concert to deliver an integrated employee experience that can build resilience and unlock individual potential.

Talent Management evolves to nurture individual resilience and create a learning organization.
People cannot traverse these adaptable systems on their own. Individuals and teams need a guide to help navigate the networked organization and team environment, while providing safe boundaries to explore their own careers. Traditional talent programs should become more flexible and customized to support individual resilience for collective impact. Figure 9 highlights the shifts in talent programs necessary throughout the employee journey to support adaptability.

Even before an employee starts with an organization, it is necessary to build a foundation that supports team-based environments and adaptable work. In order to do so, job descriptions should give way to fluid roles based on competency and potential. People craft their responsibilities to align to the outcomes and mission-focus of the organization. In turn, recruitment shifts from traditional skill matching and HR selection to purpose and cultural fit, with increased involvement from peers. Onboarding is no longer about completing a checklist of tasks, it's about getting a rapid understanding of the organization's culture, purpose, and customer focus.
The Adaptable Organization puts the emphasis back on people, not job titles, thus increasing diversity of thought and introducing greater ownership for individuals to strive towards the team's mission.

If individuals cannot shift their own mindset and visible behaviors, the organization will likely struggle to become adaptable.

As compared to a traditional organization, greater flexibility, inclusion, and agility is required of an Adaptable Organization, and should be built into this initial foundation. Recruiters source within the ecosystem to access a broader, more flexible talent pool. Workforce planning should become more strategic to review how work can be automated and who can deliver the work, through identification of new talent sources and the understanding that there is no single, rigid talent profile for each job.

After this foundation has been solidified for the employee experience, talent programs become even more necessary to enable the agile, collaborative, and empowered behaviors of an Adaptable Organization. Previously, career development in many organizations involved bureaucratic annual performance reviews, a misalignment in learning and performance outcomes, and career trajectories that followed a predetermined, inflexible set of tracks. Significant hours are wasted each year on performance reviews, much of it spent on closed-door conversations that did not always result in direct feedback for the individual. Only six percent of organizations

consider their rewards as innovative, flexible, personalized, and aligned to incentivize certain behaviors, though 42 percent believe rewards are a high priority.[5] Finally, learning activities in many organizations have not been updated to correlate to performance outcomes or to establish enterprise learning strategies that coordinate multiple functions (e.g., L&D, KM, Culture Development, Change Management) around a common purpose and standards. Time spent planning for and delivering classroom style learning doesn't allow an organization to effectively keep up with the external ecosystem around them. Adaptable learning is mission-based and individual learners are connected to a social network of others who have learned or are learning the same mission. This way the informal network in an organization helps nudge knowledge and ideas forward. When an effective and flexible performance management and compensation system is in place, it paves the way for the career development and work experience that

employees expect. While constantly developing new skills and being open to new ideas. One client is testing the idea of a "career passport" that tracks an individual's experiences and capabilities on missions around the organization, focusing careers on learning from missions instead of checking boxes at each level of a hierarchy.

Shifting from a traditional organization to the Adaptable Organization means upending career trajectories and disrupting the stability, a daunting task. Providing belonging through new team dynamics and inclusive leadership behaviors is necessary for an effective transition. The key takeaway: leaders play an ever-more crucial role in understanding work preferences and guiding career development. Real-time feedback and coaching, learning embedded in daily work, and flexible growth opportunities are essential in fast-moving environments.

Learning should be continuous and indistinguishable from daily work and individuals need opportunities to reinvent themselves as the organization adapts.

Several years ago, Deloitte reinvented its performance management after an assessment suggested we trailed in performance management innovation and worker engagement. The solution was a radical shift that focuses on speed, agility, continuous learning and transparency across all layers of the organization enabled by data-driven insights collected throughout the year.[12] A banking client recently took this idea a step further and integrated team performance into an individual's overall performance considerations; the success of the team determines half of the overall outcome, not just the individual.

People shift from fixed individual roles to changing roles, cross-functional expertise, latticed careers and knowing how to activate networks across the organization.

Job Definition	Recruitment	Onboarding	Performance Management	Compensation	Learning	Career Movement
Job descriptions shift to broader roles not limited to one set of skills, strengths, or capabilities. Employees play a role in crafting their responsibilities based on current behaviors	Purpose and culture fit is more important than job description alignment. Diversity of thought and experience is a key consideration	Focused on Purpose, Culture and Customer Orientation. Rapid job rotations to understand how the organization works	Team performance, peer reviews, ongoing career discussion and individual strengths replace traditional once a year conversations based on past performance	Bonuses are more in the moment motivated by purpose and mission outcome. Salary decisions have more input from peers and less from superiors	Learning is continuous, built into day to day work and changes based on the needs of the individual instead of formal class-room learning rolled out programmatically	Less focus on hierarchy ladder climbing and more focus on fluid rearrangement and "horizontal" career paths

Taking the steps to adaptability

Trying to solve today's complex, industry-reshaping challenges can seem formidable. An Adaptable transformation doesn't necessarily deliver customer intimacy or product/service excellence on its own, but it improves your organization's chances of discovering those breakthroughs by purposefully creating a symbiotic relationship between your customer, community or citizen goals, and your internal choices against the 5 layers we have examined. Below are considerations to kick start your journey.

1. **Being Adaptable is up to you** – You don't need to be a start-up or a small organization to take the leap. Large multinationals, from oil & gas supermajors to global banks and consumer giants are beginning to challenge outdated management philosophies and practices. Many are experimenting through pilots and only in the areas where it's required. An Adaptable Organization does not mark the end of functional design, shared services and large scale divisional of labor. It just calls for a more bold approach in parts of the organization where customer pressures and disruption are particularly intense.

2. **Becoming Adaptable is safer than you think** – In fact, Adaptable Organization transformations are safer than your typical large scale transformation or conventional reorganization. Historically, these initiatives have been highly "waterfall" and all about placing a "big bet" based on the latest management fad, or benchmarks that have little relevance to your own organization. In contrast, as we have examined through the 5 layers, Adaptability is achieved through incremental changes that nudge the organization forward through a test and learn mindset that builds confidence as each month of the initiative passes.

3. **Adaptable is not about doing what others are doing** – Well-documented digital and technology organizations and other pioneers were bold and experimented with early forms of adaptability. Unfortunately, both clients and consultants alike are guilty of "cutting and pasting" the practices of others against their own operating environment. This should be avoided at all costs. Adaptable Organizations work when they have been designed, led and implemented ground up and customized to the unique needs of the organization. It may sound obvious, but it's one of the most common mistakes that we have observed over the last few years.

4. **Adaptable is more than theory** – After consuming articles and presentations on the reasons to make your organization more flexible, agile, resilient or adaptable its important to understand that becoming adaptable is hard. It is about changing ways of working and ways of thinking about work, which takes time. We often see the urge to declare "mission accomplished" too early in the journey to be Adaptable. This can significantly undermine progress that has already been made. Follow through is essential.

5. **Adaptable is not just architecture** – Many organizations start with organization design because it's often a visible symptom of larger adaptability challenges, but it's only the tip of the iceberg. Organization architecture is a platform for the individual people that will make adaptability successful. Creating the right environment for those people will take a lot longer than redesigning the team composition.

6. **Adaptable is about team before the individual** – Do not confuse Adaptable with the approaches from past decades. Every conference presentation or workshop inevitably raises the same question – "haven't we already tried this with tiger teams, or quality circles?". While it is true that aspects of adaptability have been experimented with over the last 30-40 years, the fundamental gap has been a lack of systems thinking to genuinely connect how structure, ways of working, leadership, and behaviors link with customer missions to activate autonomous teams to work with purpose.

7. **Adaptable is about leadership everywhere** – We have seen some organizations adopt adaptable practices like Networks of Teams or Agile ways of working, but then hesitate when it comes to "leaders letting go" and allowing teams to make decisions (and make mistakes). Unfortunately, because AO is based on a systems thinking, unless you have the resolve to follow through fully, you will not get the full benefits that others have. Again, you can still be iterative and pilot in parts of the organization, but in those selected initiatives you have to go all the way.

8. **Adaptable is co-creation** – There is no better design or change then one that has involved (and in the case of AO, been led by) the very people it is looking to positively affect. While the CEO/CxO may trigger the transformation and set the broad vision, AO works best when it is led ground up. It takes some courage to let go as an executive, but can yield real results.

If you are in an industry that is in the cross-hairs of disruption, but are reluctant to take the leap into Adaptability, consider the opportunity cost of not acting, and take an experimental mindset into your next meeting. Many incremental steps towards being Adaptable (taken together) will lead to the fundamental shift in operating philosophy that we believe AO can deliver at a time of significant disruption.

Is your organization ready to embrace adaptability? Consider the following questions as your initial assessment:

✓ Do your workers, peripheral talent, and stakeholders truly see a shared purpose that unites them?

✓ Does information from your customers and environment flow in seamlessly to inform decisions?

✓ Have you minimized bureaucracy and hand-offs between teams?

✓ Are you able to "spin up" and "spin down" teams rapidly when needed, with a clear mandate?

✓ Do your teams operate based on trust, bringing diverse perspectives to the table, and perform well?

✓ Are your people comfortable experimenting and learning from mistakes, knowing you will reward them for learning?

✓ Do you know your leaders are at every level?

✓ Do you know if your leaders have the capabilities needed for tomorrow's challenges?

✓ Do your talent programs address talent beyond the traditional worker, such as contingent workers?

✓ Can you support your people in building their skills and capabilities across a range of experiences, or are they encouraged to continually move up?

End notes

1. Salim Ismail, Exponential Organizations (New York: Diversion Books, 2014).

2. Hopkins, Christopher D. "Dow Jones Drops GE, A Member Of The Original Industrial Average In 1896" NPR, Aug. 23, 2018 AD, www.npr.org/2018/06/19/621659846/dow-jones-drops-ge-a-member-of-the-original-industrial-average-in-1896

3. Deloitte, The Fourth Industrial Revolution is here—are you ready?, Deloitte Insights, January 2018.

4. Edelman, 2018 Edelman Trust Barometer: Global Report, 2018.

5. Deloitte, 2018 Deloitte Global Human Capital Trends: The Rise of the Social Enterprise, 2018.

6. Deloitte, Culture of Purpose—Building business confidence; driving growth: 2014 core beliefs and culture survey, 2018.

7. Josh Bersin, Bersin by Deloitte, Deloitte Consulting LLP: Becoming Irresistible: A New Model for Employee Engagement, 2015.

8. Deloitte, Human Capital Trends 2016: Out of sync?, 2016.

9. Deloitte, Diversity's new frontier: Diversity of thought and the future of the workforce, 2013.

10. Deloitte, Digital collaboration: Delivering innovation, productivity, and happiness, 2013.

11. Deloitte, The six signature traits of inclusive leadership: Thriving in a diverse new world, 2016.

12. Marcus Buckingham and Ashley Goodall, Reinventing Performance Management, Harvard Business Review, 2015

Authors

This paper has been developed through a global open network of cross-functional Deloitte team members.

Initiative Leads and Co-Authors

The Adaptable Organization initiative was guided under the leadership of Amir Rahnema and Tara Murphy who co-authored and edited the perspective.

Amir Rahnema | Deloitte Consulting BV

Amir is a Canadian Partner based in Amsterdam.
He is Deloitte's global head of Organization Design. He is focused on working with organizations as part of large-scale transformation typically tied to shifts in strategy, new technology implementations and complex workforce transitions. He has spent the last few years working with consumer business companies, retailers, banks, energy companies and governments in exploring adaptability in leadership teams and operations.

Tara Murphy | Deloitte Canada

Tara is a Manager in Deloitte Canada's Human Capital consulting practice. She focuses on helping clients architect new organization designs to adapt to changing markets and shifts in business strategy. Tara has a keen interest in understanding and developing methods to help large organizations inject agility into their designs, capabilities and processes. She has worked on reorganizations and major operating model transformation initiatives across industries and leads Deloitte's global Adaptable Organization methodology development.

Expert Advisory Group and Co-Authors

An Expert Advisory group of cross-functional leaders from around the world co-authored the paper and brought their client experiences on Adaptable Organizations.

Dimple Agarwal | Deloitte MCS Limited

Dimple is a Partner in the London office and is the Global Leader of Deloitte's Organization Transformation & Talent practice.
She has over 23 years of experience in organization and people consulting. Her functional expertise includes leadership, cultural change, talent strategies, change management, capability development, designing and implementing operating models and workforce transition in the context of large scale business transformations primarily in the consumer business sector.

Don Miller | Deloitte Consulting LLP

Don has more than 16 years of industry and consulting experience. In his current role, he serves as the US Analytics leader for Deloitte's Human Capital Organization Transformation & Talent practice and also serves on Deloitte's Global Organization Design and Decision Solutions Leadership team. Don is focused on helping clients improve performance by building operating models and organization structures to execute new capabilities through their people, aligning the capabilities, metrics, processes, and culture of a business to its structure, leadership, roles, and talent. Don also helps clients solve some of their top business challenges by creating tailored culture, leadership development, and employee engagement solutions to better execute organization transitions as well as mergers, acquisitions, and divestitures.

Jessica Eden | Deloitte Canada

Jessica is an expert in agile organizational transformation and a leader in Deloitte's Canadian organization design consulting practice. Her work focuses on helping clients decide on and implement organizational changes that elevate the customer experience and address the pressures of disruption. She has extensive experience bringing together leaders at all levels to re-imagine and transform how work gets done, by addressing customer, talent, process and technology issues from an integrated perspective.

Kat Lee | Deloitte Canada

Kat is a subject matter expert in Transformational Change, specifically in designing and sustaining Agile and Digital leadership, learning culture, mindsets and new ways of working within Financial Services in North America. She is also an accomplished business author and was the lead writer for the NY Times/USA Today Bestseller on leadership and culture, As One: Individual Action, Collective Power published in 2011.

Persis Mathias | Deloitte MCS Limited
Persis is part of Deloitte's Human Capital Practice in the UK and has over 20 years of in-depth experience consulting with organizations across the globe on various areas of Organization Design, Leadership and Talent. She has led large scale transformation projects for organizations going through mergers & acquisitions, organizational & cultural transformation. Persis is passionate about helping organizations explore and leverage opportunities presented by Future of Work to build and maintain adaptable, nimble and sustainable organizations that will enable them be better positioned to drive exponential growth, value and impact

Peter Sloan | Deloitte MCS Limited
Peter heads up the Deloitte Leadership practice in the UK and works with large global organizations to ensure leadership is a key enabler of organizational performance. A chartered psychologist, he helps clients to ensure they have the leaders they need to deliver their strategy and he advises on succession planning, executive talent programs and leadership development. Peter's current focus is on supporting organizations to develop
'future leaders' for a disrupted world, and on the pivotal role leaders play in enabling transformation.

Robert Myatt | Deloitte Canada
Robert is a chartered business psychologist with over 20 years' experience of enabling global companies to build the leadership they need to transform and achieve their strategic goals.
He possesses a deep expertise leadership strategy, assessing leadership potential and developing leadership expertise for a wide range of organizations including financial services, public sector, utilities, construction, retail, pharmaceutical, technology and manufacturing companies.

Sarah Rogers | Deloitte Consulting BV
Sarah works with large global organizations to help them define and deliver their future workforce. She focuses on helping clients to define the critical capabilities and workforce investments required to deliver their business strategy in rapidly changing competitive environments. She works with organizations to ensure their talent system and enabling technology investments enable adaptability and responsiveness to future of work disruptors. Originally from Australia, Sarah has worked with clients across Europe and APAC regions, and currently leads the Netherlands Talent practice.

Shivani Maitra | Deloitte MCS Limited
Shivani is a Partner in North West Europe's Organization Transformation and Talent practice. She leads the Organization Design practice in the UK and is the Life Sciences leader for Human Capital in the UK. Shivani is part of core team partners in Deloitte who are developing solutions for clients on Future of Work and impact of emerging technologies and ways of working on workforce.

Tiffany McDowell, PhD | Deloitte Consulting LLP
Tiffany has expertise in all areas of organizational behavior and leads Deloitte's Organization Strategies Market Offering. Tiffany focuses on delivering operating model, organization design, talent strategies, and global change management solutions for large-scale transformation projects. She has recently brought organizational network analysis and adaptable organization design thinking to help her clients build networks of teams and unleash their organizations energy.

Tom Alstein | Deloitte Touche Tohmatsu
Tom is a global thought leader on Next Generation organizations. He guided multiple organizations globally on their journey to truly anchor their organization in customer centricity, adaptability and a digital world. He has extensive experience in designing and implementing strategies and transformations, designing high impact business and operating models, building (new) business capabilities and innovation programs and successfully deploying improvements and solutions to bring strategies to life and to deliver business benefits.

Yves Van Durme | Deloitte Consulting
Yves is a global leader in Deloitte' Human Capital practice. He leads our global strategic change offering, EMEA organization transformation & talent practice and heads up the Belgian Human Capital team. After some 10 years of experience in high performance coaching in sports, he switched to consulting some 20 years ago to people & organizational matter where he built a track record on organizational and leadership development as vehicles for strategy execution with a specific affinity for a holistic approach caring for the balance between processes, structures and systems on the one hand and the more cultural and people-related elements on the other hand.

Contributors

We are indebted to a broad team of practitioners who contributed content and used their own Adaptable Organization experiences to help shape our thinking:

Ailish Kilmartin, Ally Hill, Corey Norman, Dale Camuyong, Damian Walek, Genesia Tang, Iksheeta Sha, India Mullady, Janette Yuen, Jared Simon, Jash Shah, Juliet Bourke, Justine Statham, Lindsay McCabe, Luisa Celis, Marc Abergel, Marie-Christine Joly, Mazen Maarouf, Michael Murphy, Natasha Abajian, Nate Paynter, Oliver Benton, Paula Nathwani, Sabrina Ling, Sebastien Gelus, Selina Facca, Sorubh Aggarwal, Stephanie Goyert, Tessa Van den Berg, Zach Fetters

Leaders

Global Human Capital Leaders

Heather Stockton | Global Human Capital
leader Deloitte Canada
hstockton@deloitte.ca

Jeff Schwartz | Global Human Capital Leader,
Marketing, Eminence, and Brand
Deloitte Consulting LLP
jeffschwartz@deloitte.com

Dimple Agarwal | Global Organization
Transformation and Talent Leader
Deloitte MCS Limited
dagarwal@deloitte.co.uk

Michael Stephan | Global HR Transformation Leader
Deloitte Consulting LLP
mstephan@deloitte.com

Darryl Wagner | Global Actuarial, Rewards, and
Analytics Leader
Deloitte Consulting LLP
dawagner@deloitte.com

Human Capital Country Leaders

Americas

Verónica Melián | Americas
Deloitte SC
vmelian@deloitte.com

Erica Volini | United States
Deloitte Consulting LLP
evolini@deloitte.com

Jeff Moir | Canada
Deloitte Canada
jmoir@deloitte.ca

Asia Pacific

Jungle Wong | Asia Pacific & China
Deloitte Consulting Co. Ltd, Beijing
junglewong@deloitte.com.cn

David Brown | Australia
Deloitte Touche Tohmatsu
davidbrown@deloitte.com.au

Kenji Hamada | Japan
Deloitte Tohmatsu Consulting Co. Ltd
kehamada@tohmatsu.co.jp

Europe, Middle East, and Africa

Ardie Van Berkel | EMEA
Deloitte Consulting BV
avanberkel@deloitte.nl

Anne-Marie Malley | United Kingdom
Deloitte MCS Limited
amalley@deloitte.co.uk

Pam Maharaj | Africa
Deloitte Consulting Pty
pammaharaj@deloitte.co.za

Deloitte.

About Deloitte