

**TOPICS INCLUDE**

- Why it's important to "build adaptive-ness" and why it's so hard to do.
- Three ways organizations can foster an adaptive culture.
- Ideas on how organizations can shape their environment by "opening up" their internal processes and structure.

**EXECUTIVE SUMMARY**

In September 2008, Toffler Associates, the consulting firm founded by Alvin and Heidi Toffler, authors of *Future Shock* and *Revolutionary Wealth*, brought together private and public sector leaders to consider how businesses and government agencies adapt to our dynamic information-based society and reflect on what makes these adaptive organizations successful.

The discussion focused on two key questions: "What are the vital attributes of an adaptive organization?" and "How do you make your organization more adaptive to the challenges and opportunities of the knowledge age?" What follows are the unique insights of that discussion.

## Creating Adaptive Organizations

Experts discuss how to transform businesses and government agencies to deliver better results and compete more effectively in the 21st century.

## Creating Adaptive Organizations: Keeping Pace with the Future

America and the world have seen many changes over the last 50 years, and many of the most striking ones stem from the shift from industrial to knowledge-based economic and social structures and mores. New opportunities for growth presented by this “new economy” are juxtaposed against new challenges and threats, such as global terrorism and stresses on our financial system. Constant novelty is the norm, demanding an exquisite ability to anticipate what’s next and prepare for – or, better, get ahead of – the change.

Yet, the government and private sector institutions in place today were for the most part designed decades ago, or longer, and they haven’t changed nearly as much or as rapidly as the world around them. It is becoming increasingly apparent that these institutions and the organizations that comprise

them are not well suited for the dynamic evolution of today’s world. The pressure is growing for today’s commercial companies and public sector agencies to break out of their static models and become more adaptive to the change forces that are shaping their operating environment and the needs of their customers and constituencies. Those that do not will find themselves left behind.

Since publishing *The Adaptive Corporation* in 1985, Alvin and Heidi Toffler have

### **The Evolving Face of Business**

A recent study cited 93% of executives surveyed as expecting changes in at least one aspect of their business model over the next 3 years; nearly half expect those changes to be major.<sup>2</sup>

### **Motivating Government to Change**

Hannah Sistare, Executive Director of the National Commission on Public Service, identified four drivers that spur government to reorganize for better performance:

- To make government work better
- To save money
- To enhance power
- To address a pressing problem<sup>1</sup>

theorized about what organizations must do not only to survive, but to prosper in a social-economic environment that is fundamentally different from the industrial era in which they were born. As part of its mission to translate such thinking into practical action, Toffler Associates brought together a small group of executives from government and commercial industry to look at what lessons we can learn from organizations that have proven themselves “adaptive” in the fast-paced

environment in which we all live and work. The participants considered two critical questions:

- *What are the vital attributes of an adaptive organization?*
- *How do you make your organization more adaptive to the challenges and opportunities of the knowledge age?*

## Defining Vital Attributes of Adaptive Organizations

In their discussion of different organizations – their own and others they've observed – the group identified several attributes that seem to enable these organizations to adapt to the economic, societal, and other shifts that routinely occur around them. These attributes include:

- The ability for all employees, departments and groups within an organization to collaborate effectively
- The ability for all employees at all levels to network with others outside the organization, gaining new sources of useful information and helpful perspectives in the process. This includes networking with customers and other stakeholders, external industry experts, even with competitors or rivals.
- The ability for all employees at all levels to innovate and experiment without fear of "reprisal" or marginalization. Indeed, where the culture of the organization is to reward those who think innovatively, participants saw the greatest success in adapting to solve the pressing issues the organization faces.

After identifying some of these "attributes of adaptivity," the participants centered their discussion on what many agreed is a key to creating organizations that have these attributes embedded into their structure: empowering from the bottom up.

## Empowering from the Bottom Up

A Toffler Associates participant introduced the idea by relating the experiences of an initiative the firm has been facilitating for an agency within the Department of Defense. Following external appraisals and their own self-reflection, leadership determined that some fundamental changes were needed in how the agency approached understanding and adapting to the many, and ongoing, changes in its

operating environment since September 11, 2001. With the benefit of Toffler Associates' analysis and counsel, they quickly appreciated that the change had to "bubble up" from the ranks of the agency if it was going to succeed. One of the revelations of this initiative is that attempting to create an adaptive organization from the top down has several flaws:

### **A Toffler Associates Perspective on Fostering an Adaptive Mindset**

One of Toffler Associates' approaches to keeping an "adaptive edge" in their own work is to schedule outsiders to come in and review every project as it progresses. It's human nature to "stick with what works." But by gaining an outsider's perspective, the members of the firm ensure they are constantly challenging assumptions and methodologies that may no longer be the right fit for changing problems.<sup>3</sup>

- Top-down transformation directives often are perceived as a "disruption" imposed on individuals who are "just trying to get their jobs done." Often, whatever motivation employees might have to embrace the new ways of doing things is superseded by the effort to "cope with the disruption."
- Middle managers tend to resist the effort when it's pushed from the top. Their attitude is "we can wait this out and things will return to normal."
- Historically, it's difficult to build "buy-in" or "mindshare" when an agenda is being pushed down from a single point at the top. Despite the unique ability of the leadership to broadcast a common message to everyone, internalizing that message, and the associated behaviors, tends to be slower than when it comes from multiple points below and next to us as well as above.

The group discussed this perspective at length and concluded that a true transformation to a more adaptive organization stands the greatest chance of success when the change occurs at multiple levels all at once. They identified three methods for facilitating this "bottom-up" approach to creating an adaptive organization.

## **Three Ways to Empower Bottom-Up Change**

The participants pointed to three strategies for planting and nurturing the attributes of "adaptiveness" throughout any type of business or government agency.

## #1: Create Self-Directed Teams

The foundation of any bottom-up transformation starts with the empowerment of self-motivated, self-directed teams. An abundance of structure and rule-setting tends to inhibit creativity and adaptiveness, particularly when the structure is hierarchical, the default organizational form of the era before our current knowledge era. In the experience of many of the participants, the most effective collaboration is voluntary, informal, self-supervised – good personal relationships lead to successful collaboration, and it's hard to collaborate with people you are "commanded" to know and like and work with. Moreover, large and "by mandate" teams have a hard time looking at their environment with an open mind – familiar assumptions and conventional approaches come to the fore. Smaller, self-generating groups are freer to challenge the dominant paradigm and arrive at new ways of adapting to emerging challenges and opportunities.

The group focused again on the DoD example, where small teams of intelligence analysts were coached on a set of creative thinking, problem-solving, and analytic techniques then "let loose" to work with each other and whoever else they saw fit inside or outside the

## Nurturing Adaptivity

Elaine C. Kamarck, professor at Harvard University's John F. Kennedy School of Government, has made several recommendations for transforming the intelligence community based on knowledge management concepts. Some of these concepts mirror strategies that have long utilized by Toffler Associates and that were discussed at "Creating Adaptive Organizations," including:

1. Creating new knowledge requires tapping the tacit knowledge of an organization and combining it with the organization's explicit knowledge.
2. Knowledge-producing organizations allow free access to information.
3. In knowledge-producing organizations, there is extensive learning from others and employees are embedded in outside networks.
4. In knowledge-producing organizations, redundancy is not regarded as waste; rather, it is regarded as a key aspect of organizational design.
5. Knowledge-producing organizations engage in "strategic rotation" of their employees.
6. In knowledge-producing organizations, sequence is replaced by synchrony.
7. In knowledge-producing organizations, systems exist that allow for learning from past experience.
8. Knowledge-producing organizations engage in continuous innovation.<sup>4</sup>

agency on some of the most critical issues facing the agency. Successive “cadres” of these individuals (six so far) are now part of a growing cohort that continues to form and un-form ad hoc teams, injecting new life into the business of intelligence analysis and new thinking into how DoD understands and adapts to its environment. The results they are generating have caught the interest of senior leadership, who are now relying on these teams as a “go-to” resource. And so begins the transformation to an adaptive organization at the grass-roots level.

## **#2: Bridge the Stove Pipes through Employee Engagement**

The next strategy noted by the group was to attack the segmentation of departments, divisions and units within an organization. An organization cannot adapt to new circumstances if vital information is hoarded by one group; only an unfettered exchange of insights and ideas among all the groups and sub-groups within the organization can build a comprehensive understanding of the environment and generate the right adaptations and solutions. Participants believed several different kinds of actions can help “bridge the stovepipes.”

- “Open standards for teams” should be developed to build trust, collaboration and mindshare across the organization. Common methods of communication, approaches to problem solving, and modes of behavior are necessary to remove restrictions on the effective flow of knowledge that’s so important to truly understanding a rapidly changing environment and adapting to its challenges and opportunities. This process should include all teams and should transcend all organizational boundaries.
- Several in the group stressed the importance of a shared vision that unites and inspires all the parts of an organization toward a common purpose. One participant related the story of how the individual organizational elements of Verizon quickly coalesced in the hours and days after the 9/11 attacks to restore critical communications to the financial sector in New York City, unified by a vision of “customers first” and corporate responsibility that manifested differently for different parts of the company but was shared by all. When an organization has a shared vision, different internal stakeholders are less apt to let their “stovepipe” equities be a roadblock to the adaptiveness of the company as a whole in the face of rapid change.

### **“Discovering” Adaptivity**

One method used to change behaviors in some of the work Toffler Associates is doing with a DoD agency is the use of “discovery experiences.” One example: separate groups are each given a key piece of information to solve a problem. The groups are encouraged to work together — and if they don’t, they discover that the objective literally cannot be achieved. The only way for the group to reach their goal is to share information and work together. This experience underscores the importance of the attribute of collaboration far more than classroom instruction ever could.<sup>5</sup>

### **#3: Create Venues Where Employee can Practice Adaptive Thinking**

Leadership must create space and time for innovation. Several participants noted that you have to address the structural elements of an organization in order to enable employees to “think outside the box” and create new ways of doing things. Many have written and commented on the need to create an environment inside the organization where employees feel the psychological and practical safety to collaborate and pursue new ideas – an “intellectual safe harbor” in which unfamiliar perspectives and approaches are expected and encouraged in response to, or anticipation of, unfamiliar circumstances. Often the “safe place to innovate” is established within the organization but outside the normal organizational forms – for example, “tiger teams” or “greenfields.” Just as importantly as creating the space and time, the upper echelons of the organization (as well as supervisors at all levels) have to demonstrate a genuine commitment to listening to the ideas from up, down, and across the organization, reinforcing positive behaviors when people use their safe venues to raise new ideas about how to adapt to what’s changing in the environment.

#### **Selling Ideas**

One participant highlighted the concept of an “idea marketplace,” where all employees are encouraged to offer ideas for improving the effectiveness and adaptiveness of the organization. All ideas are afforded sponsorship and support at the senior management level. However, the originator of the idea still has to build a constituency of helpers to bring the idea to fruition. In this way, the ideas “compete” with each other, and the most compelling and impactful ones win out and help transform how the organization adapts to its environment and does its business.<sup>6</sup>

## Adapting to the Challenges of Tomorrow

The importance of “building adaptiveness” into our organizations will only grow with time. The competitive advantage that adaptive organizations have in the marketplace is significant, as research and the experiences of experts like our guests prove. And as we look to the future, it will have important implications in the competition for top talent – as one participant cautioned, even today’s young innovators, let alone the generations of innovators that succeed them, will not be willing to work in rigid organizations and systems. Today’s industry and government leaders, especially in technical fields such as aerospace, must be willing to break from their old, “static” processes and become more open to adaptation if they wish to attract and gain the loyalty of “the best of the best.”

We have to learn to trust and embrace the creative, adaptive ideas our people produce when we create the environments in which they feel free to produce them. Several participants wondered about how we “weed out the crazy ideas” from the good ones, but all agreed that even if an idea seems off-target for a particular issue at hand, it’s important not to discourage the creativity. It’s also important to capture all the results of our innovation and adaptive thinking, even the “crazy” ideas, so that these might be used if and when a right fit is determined at a later time.

In closing, the group wondered how these lessons from transforming existing “static” organizations into creative, adaptive ones might apply when we are trying not to change an old organization but to create a new one from scratch. Many of the vital attributes – internal collaboration, external networking, experimentation – and many of the strategies we discussed – self-directed teams, bridging stovepipes, creating “safe harbors” – can be bred into organizations from their inception. If we do, we may succeed in building a generation of businesses and institutions within our country better able than any that preceded them to anticipate and handle whatever challenges and opportunities may come their way in the 21st century.

### Rewarding Innovation

As a way to spur innovation, Google is offering a \$10 million award for “ideas to change the world by helping as many people as possible.” Why are they doing this? According to Google, “We want to extend to the world the idea that great ideas come from all angles.”<sup>7</sup>

## Bibliography

1 Based on Hannah Sistare, "Government Reorganization: Strategies and Tools to Get It Done," IBM Center for the Business of Government, (August 2004), 7, <http://www.businessofgovernment.org/pdfs/SistareReport.pdf>

2 "Ten Traits of Adaptive Organizations," KPMG, <http://www.kpmg.ca/en/services/enterprise/issuesGrowthTenTraits.html>

3 Based on information provided by a Toffler Associates participant at the September 2008 dinner.

4 Elaine C. Kamarck, "Transforming the Intelligence Community: Improving the Collection and Management of Information," IBM Center for the Business of Government, (October 2005), 11, <http://www.businessofgovernment.org/pdfs/KamarckReport2.pdf>

5 The "discovery experience" concept is being employed by Toffler Associates and one of its clients as a means to transform processes at the Department of Defense.

6 The "idea marketplace" concept was created and is being successfully executed jointly by Toffler Associates and one of its clients as a means to transform processes at the Department of Defense.

7 "Google Calls for Ideas to Change the World with Project 10<sup>100</sup>," Google Press Center, (September 24, 2008), [http://www.google.com/intl/en/press/annc/20080924\\_10to100.html](http://www.google.com/intl/en/press/annc/20080924_10to100.html)

## Contact

Toffler Associates builds insight into what's next. Our mission is helping private sector businesses and public sector enterprises create their future, working with senior executives to overcome uncertainty, manage risk, and decide the best courses of action for dealing with and taking advantage of the challenges and opportunities of the "Third Wave" information age.



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