

AO

Adaptive Org

White Paper:
Moving to the Adaptive Organisation
With the Adaptive Activator

Preface

The traditional hierarchical organisational structure with formally anchored leadership roles is designed to fulfil a variety of functions – such as order, transparency and security. With the transition to more adaptive and agile ways of working, driven by the increasingly volatile and complex environment of the 21st century, companies need a new structure that responds and adapts quickly to new challenges and the world around them. It has become essential to find ways to break down silos and increase opportunities for people working in different areas to work together collaboratively. It is also necessary to align the organisation with the workflow throughout the system and to reduce bureaucracy in order to optimise the whole organisation. This white paper is focused on the concepts behind adaptive organisational design, and on the rationale for adaptive organisational design. It shows at which points the Adaptive Activator supports this design.

Traditional organisational structures are ill suited to today's VUCA environment. This includes the overwhelming majority of current agile forms of organisation since they still organise themselves classically, in structural and strategic issues, with no respect to the (product's) day-to day. Vertical formalised command and control structures thwart the ability of organisations to adapt rapidly to changing economic, technological and market conditions. Realised with the Adaptive Activator, an adaptive operational design enables agility on both the team and organisational level. This requires an organisational design that optimizes adaptability and the information flow. This white paper is focused on the key principles underscoring such designs.

Contents:

OVERVIEW	5
1. THE TRANSITION TO ADAPTIVE ORGANISATIONS	6
1.1. WHY ADAPTIVE ORGANISATIONS ARE IMPORTANT	6
1.1.1. CHALLENGES OF TRADITIONAL STRUCTURES	6
1.1.2. OPPORTUNITIES FOR ADAPTIVE ORGANISATIONS	6
1.1.3. THERE IS NO ONE-SIZE-FITS-ALL FOR AN ADAPTIVE STRUCTURE	7
1.2. TRANSITIONING THE BEHAVIOUR AND PRACTICE OF THE ORGANISATION	8
1.2.1. SHIFTING THE LEADERSHIP MINDSET WITH THE AID OF THE ADAPTIVE ACTIVATOR	8
1.2.2. TRANSITION OF MANAGEMENT TO SELF-MANAGEMENT	8
1.2.3. TRANSFER TO CROSS-FUNCTIONAL AUTONOMOUS TEAMS	8
2. CHARACTERISTICS OF AN ADAPTIVE ORGANISATION	10
2.1. DEFINED FOCUS	10
2.1.1. ADAPTING TO CUSTOMER NEEDS	10
2.1.2. DYNAMIC ORGANISATIONAL GOALS	10
2.2. DYNAMIC TEAMS	10
2.2.1. TEAMS AS A BASIS FOR WORKING	10
2.2.2. CONSIDERATIONS FOR DYNAMIC TEAM STAFFING AND RE-STAFFING	11
2.3. REPRESENTATION, AUTONOMY AND RESPONSIBILITY	12
2.3.1. INSPIRING COOPERATION AND AUTONOMY	12
2.3.2. BUILDING AND MAINTAINING COMMITMENT	12
2.3.3. GOVERNANCE OF DECISION-MAKING	12
2.3.4. DISTRIBUTION OF POWER, CONTROL AND AUTHORITY	12
3. BUILDING THE ADAPTIVE ORGANISATION	14
3.1. UNDERSTANDING ORGANISATIONS AS NETWORKS	14
3.1.1. RECOGNISING INDIVIDUALS AS KEY TO ADAPTIVE NETWORKS	14
3.1.2. IDENTIFYING TYPES OF NETWORKS IN THE ORGANISATION	14
3.2. CREATING A COMMON UNDERSTANDING	15
3.2.1. IMPROVING THE FLOW OF COMMUNICATION AND INFORMATION	15
3.2.2. BUILDING COLLECTIVE INTELLIGENCE	15
3.3. THE WAY TO ADAPTABILITY	16
3.3.1. ASSESSING THE CURRENT STATE OF THINGS	16
3.3.2. EXPERIMENTING AND LEARNING IN THE SYSTEM	16
3.3.3. OPTIMISING AND SUB-OPTIMISING, THEN RE-OPTIMISING	16

3.3.4. MEASURING, EVALUATING AND RE-EVALUATING

Overview

The white paper is divided into three sections. In the first, we look at the reasons why adaptive organisations are needed at all and what this means for the behaviour and practice of traditional organisations. The second section describes what characterises adaptive organisations. And finally we look at how an adaptive organisation is built.

1. THE TRANSITION TO ADAPTIVE ORGANISATIONS

This section answers the questions: Why should we be concerned with adaptive organisations in the first place and what does the transition to one means for the leadership of the organisation that moves?

1.1. WHY ADAPTIVE ORGANISATIONS ARE IMPORTANT

Some requirements can hardly be met through traditional forms of management. This is why, for over a decade now, companies have been searching for ways to optimise their existing systems. But there are signs that all this is not enough. Already today, somewhere in the world in practically every industry there is an adaptive organisation. What they all have in common is that they can cope with dynamic change in ways that make it practically impossible for traditional types of organisations to keep up with them.

1.1.1. Challenges of traditional structures

For sure, there are organisations that are perfectly suited for centralised hierarchical structures (possibly combined with agile methods). Yet for today's dynamic world they are too sluggish. This is especially true of companies that want to keep ahead of their competitors. At the core of the traditional structure is a formal relationship of authority and power. This determines communication. It limits the space for possible ideas. It sets the pace for decisions. The design comes from the top. Obedience is expected from the bottom. In a volatile world these structures react too slowly. The top here is too far away from everything to be able to set the best course. The most important survival skill for adaptive companies is avoiding rigidity. And the central element of this skill are people who decided and act on their own responsibility, in a coordinated and rational manner, in the interest of the company. The paradigms thus shift towards more decentralised, dynamic, team-based network structures.

1.1.2. Opportunities for adaptive organisations

Adaptive organisations are quite resilient when it comes to change. They play on their ability to learn and innovate. These they seek to increase. Hence they do more than merely adapt their economic content such as their services, products and business models. They actively keep their organisational structures and culture in flux as well. At their core they build on people, on our talent for working together fruitfully. In this way they become as resilient and creative as their emotionally connected workforce is. And this is also why they specifically strengthen the skills needed to succeed as individuals in a meaningful community. Transformation is therefore about successively introducing the shift needed from markedly rigid relationships to more networking and dynamic structures. What's more, it's also about creating spaces for shared accountability, transparency, openness, feedback and personal responsibility. In these spaces orientation is geared to ensuring the survival of the organisation and the value creation necessary for this. But people in adaptive organisations also need the freedom to experiment.

1.1.3.

There is no one-size-fits-all for an adaptive structure

No adaptive company can be created through implementing standardised concepts, (agile) frameworks, methods and/or technologies. The foundation for accomplishing this venture lies beyond transferable technologies (ERP, CRM, BI etc.), structures (flat hierarchies, matrixes, project organisation), frameworks (Holacracy, ...), concepts (Teal, SAFe, LESS, TPS, OKR, Beyond Budgeting etc.) or methods (Project Management, Scrum, Kanban, Six Sigma etc.). As important as these components might be, fundamental change can only be achieved through the evolutionary journey of the organisation. This consists of using humankind itself in an organisational manner. And it happens in a balanced mixture of feeling, intuition and reason in the context of the interests of the social community that is given in every organisation. Accordingly there can be no one-size-fits-all for this path. This mixture in connection with the respective market requirements is always unique.

1.2. TRANSITIONING THE BEHAVIOUR AND PRACTICE OF THE ORGANISATION

If your own organisation is now to become adaptive, this poses a particular problem to the ingrained ways of thinking of management. To ensure success, silos must be abandoned, even if they already use agile methods. But not only that: nobody can rely any longer on set plans or priorities. Because by the time they come to fruition, another solution has long been needed. In such a conflict situation what is required is to allow for coordinated autonomy. But ultimately only the kind that works in the sense of the organisation.

1.2.1. Shifting the leadership mindset with the aid of the Adaptive Activator

The Adaptive Activator distributes leadership across the whole organisation instead of limiting it to formal roles. In this way, the formal roles or titles associated with leadership lose their importance during transformation. This is achieved by solving concrete company tasks through the Adaptive Activator (involving employees in decision-making, linking action and consequence, transparent reporting to the people acting etc.). Experts in process support are thus developed. We call them adaptive activators. They are primarily distinguished by a deep understanding of all aspects of #AdaptiveOrg and the Adaptive Activator. Another salient feature is that they possess no power to issue directives and only collaborate on content to a limited extent.

The Adaptive Activator is the participatory vehicle for moving towards the goal of an adaptive organisation. With it we establish the beliefs, attitudes and behaviours in leadership that create adaptive environments in which (dynamic) teams and individuals can thrive. Examples include: ensuring that all team players have the foundations and resources that they need to do their work; ensuring that sincere enthusiasm for work prevails, and that understandable target systems are present in the organisation; and encouraging divergent thinking.

1.2.2. Transition from management to self-management

The Adaptive Activator transitions elements of traditional management from instruction followed by reward/punishment over to a collaborative and supportative style. It promotes greater self-direction, (coordinated) autonomy and more freedom of decision-making. Especially when it comes to creating value and achieving the desired results. It creates a self-managed space with reference to the job in hand. And this leads to continuous improvement of value creating capabilities and so catalyses organisational value creation.

1.2.3. Transfer to cross-functional autonomous teams

Traditional organisational structures take for granted a specialised workforce which obediently performs pre-planned tasks. Adaptive structures, on the other hand, build on team-based and/or network-based collaborative structures that solve problems and generate customer value. These teams see themselves as dynamic interim units designed to master specific challenges. Thus it might happen that individuals contribute to several teams at the same time, only this is so natural that it is not even consciously perceived. In the transition of the command and control

mechanism over to adaptive self-direction, the workforce equips itself through Adaptive Activator boot camps with the knowledge and skills it needs to act successfully in the changed environment

2. CHARACTERISTICS OF AN ADAPTIVE ORGANISATION

This section examines the question: What makes adaptive organisations different from traditional and modern ones?

2.1. DEFINED FOCUS

An organisation that breaks down rigid leadership mechanisms still needs a sense of direction. The challenge in this is that all parties should equally understand what really matters and when.

2.1.1. Adapting to customer needs

Organisations exist first and foremost to create value for their customers, their market or their citizens (in the case of public service organisations). The focus of the adaptive organisation lies on balancing the needs of its customers with its own values and the wise use of our global resources. This view is based on a worldview described by Kate Raworth in her [Doughnut Economics](#). As these demands evolve, the organisational structure must be capable of adapting to ensure that the organisation can survive consistently and for the long term. To do this the company needs structures that are both fluid and dynamic that can respond to the emerging and changing needs of its customers, its markets and the environment. Because understanding an organisation is more than just understanding the boxes and/or circles of an organigram. To truly understand the boundaries of an organisation, its suppliers, its workers and the community in which it is embedded, the whole cast of influencers must be taken into consideration. The Adaptive Activator therefore makes both internal and external forces and control points visible.

2.1.2. Dynamic organisational goals

The goals and purpose of the organisation drive forward those strategies that serve as the basis for its organisational structure. In adaptive organisations the changing demands of customers and the external environment drive the emergence of the organisation's goals and strategies which in turn drive the organisation to adapt. The Adaptive Activator ensures that the prime purpose of an adaptive organisation – its continued existence – is always kept in focus. From this foundation self-regulating, dynamic target systems can be developed that address change in a timely manner, and self-manage the organisation to adapt to it in a meaningful way.

2.2. DYNAMIC TEAMS

Market-driven changeable target systems also require a great deal of adaptability on the staff level. It makes good sense to build them up in the overall interests of the organisation.

2.2.1. Teams as a basis for working

Teams in adaptive organisations are, for day-to-day business, relatively small (with usually fewer than 10 members), highly autonomous, and fixed on a common goal. The main responsibility of the team is to offer added-value to defined (also internal) customers. Their responsiveness lies in their ability to clarify and share responsibility on results. They organise themselves dynamically around common goals. Small, cross-process, self-organising teams stand in sharp contrast to functional, collectivised workplaces where individuals fully concentrate on narrowly performing

technical functions. Nevertheless, there are also large groups in #AdaptiveOrgs. These can come into play when structural or strategic decisions need to be made. Then the #AdaptiveOrg organises a setting in which all concerned parties are offered professional participation. These large (temporary) teams last until the moment when the topic they've been dealing with re-enters the daily life of the organisation. The Adaptive Activator therefore moves away from individualised performance measurement and incentivisation, and also voids linking questions of income to the setting of future targets. Because if an organisation does link its employees in this way to an understanding of today's world, it also systematically prevents necessary adaptation to the changes and requirements of tomorrow's business world.

2.2.2. Considerations for dynamic team staffing and re-staffing

Teams are groups of people oriented toward a common task or benefit. These individuals commit to each other to accomplish these tasks or benefits. In an adaptive organisation teams form, organise and shape themselves situationally as reactions to stimuli in the network. Such stimuli may arise as a result of changes in the market or optimisation of the value stream or the increased collective intelligence of the organisation. In the Adaptive Activator we define the principles and mechanisms that trigger the formation and re-formation of teams. These fulfil the purpose of the organisation – which is to survive permanently – and also take into account the point at which the organisation is on its way to transformation.

2.3. REPRESENTATION, AUTONOMY & RESPONSIBILITY

In adaptive organisations people stand up for one another differently to how they do in traditional hierarchies. In adaptive organisations there is no formally defined responsibility detached from action. Nevertheless, it is precisely through the systematic nature of the Adaptive Activator that stable and reliable results may be achieved.

2.3.1. Inspiring cooperation and autonomy

When individuals and teams have the space for design, the freedom to make decisions and the autonomy that they need, this forwards collective intelligence and enables decentralised/distributed decision-making where this is of benefit. Such quality in managing workforces addresses people's intrinsic motivation (self-efficacy & sense-making) which is the key to replacing bureaucracy with a dynamic network.

With the Adaptive Activator staff members make binding and resilient agreements among themselves (rather than accepting imposed obligations). And this creates the basis for intelligent collaboration.

2.3.2. Building and sustaining commitment

Meaningful commitments are the atoms of work. Meaningfully experienced agreements by and between people who act formatively and decisively in an organisation constitute the content of connectivity both between members of an organisation and to the organisation itself. Commitment builds on the structured formats of conversation that lead to aligned action through the Adaptive Activator between people. And because its terms are negotiable at eye-level, this leads to a high level of satisfaction. Keeping commitments is an essential prerequisite for trust and resilience within the organisation.

2.3.3. Governance of decision-making

In a hierarchical model, decisions are made centrally by the people at the top of the organisation and then handed down to those affected. It is expected that staff will obediently comply. Compliance is rewarded and non-compliance is punished. All this is based on the assumption that people think and act in a linear (rational) manner. In an adaptive organisation, however, decision-making is distributed across the whole organisation. With the Adaptive Activator authority and accountability for decisions are negotiated situationally and contextually by individuals, teams or by large groups. This enables the persons or teams directly affected by the consequences of the decision to use their collective intelligence. They increasingly make decisions autonomously in a coordinated way.

2.3.4. Distribution of power, control and authority

In traditional organisations power is structured vertically; bosses have formal power over the working lives and practices of their subordinates in many ways. They can control work schedules and areas of work and how people are promoted, supervised and held accountable for their performance at work. In adaptive organisations, however, individuals and teams ideally have maximum freedom of decision-making and manage such matters in a self-regulated way. The

Adaptive Activator gives people in the organisation a high degree of transparency in terms of efficiency and cause-effect relations. The head office processes the information in such a way that the areas of influence and responsibilities of the individual teams are easy to understand and so that success can be easily tracked. This results in social interrelationship connections in which self-regulating mechanisms take effect which at best trump control by formal managers.

3. BUILDING THE ADAPTIVE ORGANISATION

This section answers the question how does transformation to an adaptive organisation succeed?

3.1. UNDERSTANDING ORGANISATIONS AS NETWORKS

At first glance adaptive organisations seem chaotic as continually valid organisational charts can seldom be maintained. But this kind of confusion vanishes once we understand the usefulness of differently characterised types of networks. Weaving them together in a meaningful way is one key to successful transformation.

3.1.1. Recognising individuals as key to adaptive networks

Individual people are nodes in the network structure of an organisation. People themselves are the ultimate reality of an organisation – its teams, departments, organigrams and the organisation itself are merely concepts (imagined realities). Only people themselves can act (either individually or in coordination), and only people can make decisions (individually or collectively). Individual people are the sensors that enable organisations to recognise and respond to surrounding realities (such as markets, financial crises and pandemics). This is why Adaptive Activator contributes to greater understanding of people. What drives us? Why do we work together? What separates us from one another? Answers to these and similar questions are a central part of the Adaptive Activator’s understanding of what constitutes leadership. Its objective is to promote and encourage adult responsible action – in contrast to traditional widespread reflexive obedient behaviours.

3.1.2. Identifying types of networks in the organisation

All organisations consist of several types of networks, some formally rigid and others informally flexible. The formal network, explicitly designed by the organisation and usually represented by lines on the organisational chart, is only one part of the picture. In an adaptive organisation, static formal relationships are largely confined to administration and intervene as little as possible in the network of relationships. In the Adaptive Activator we show the three possible types of network (centralised, decentralised and distributed) and how they make sense situationally in terms of social connections, affiliations, alignment with the goals of the organisation, and so on. In this way networks best support the spread of meaningful ideas and innovations and the workforce aligns with them in order to find quick solutions to problems.

3.2. CREATING A COMMON UNDERSTANDING

In adaptive organisations communication travels in all directions at once. Accordingly, it is necessary to find new ways of sharing, like large group formats, which ensure efficiency in this respect.

3.2.1. Improving the flow of communication and information

A hierarchical organisational structure usually draws the expected flow of communication and information from the bottom to the top of the hierarchy and then back down again. In an adaptive organisation, however, communication and information flow simultaneously in multiple directions. The flow of communication and information desired by an organisation, including connecting points and possibilities for creating new connections, should be conscious and be designed by people. The Adaptive Activator strengthens people in their competencies and abilities to adaptively master vital communication tasks. These include in particular:

- Making viable decisions.
- Reaching strong agreements and acting on them in a reliable way.
- Using sensitive talks as a means of working through conflict situations and settling them.
- Developing important information, making it accessible and understandable.

3.2.2. Building collective intelligence

Building collective intelligence means that all voices should contribute and be heard which results in a diversity of opinions and perspectives. This in turn requires that individuals practice active listening, leave their prejudices and judgments behind them and show a readiness to be changed by others. It also requires that decision-making, such as in making agreements, be efficiently organised. Hence, the Adaptive Activator works primarily towards purposeful inclusive communication before decisions are made. At the same time, it also nurtures our ability to make the necessary agreements for the organisation - instead of limp compromises brought about by the democratic majority. The result is effective joint action that requires no further effort on the part of leadership.

3.3. THE WAY TO ADAPTABILITY

The adaptive organisation is not a system that can be implemented. It is rather a changed state of consciousness that, just like the traditional formal hierarchical form of organisation, characterises the whole organisation. This is why each organisation has its very own way to follow.

3.3.1. Assessing the current state of things

Understanding the current state of an organisation – including its structural design, its cultural norms, processes and strengths and boundaries – is the first step of the way to becoming an adaptive organisation. With the mental tool of company DNA, we offer people a practical framework within which to design their organisation. The Adaptive Activator contrasts systematic present and possible future scenarios without, however, deriving a fulfilment plan from them. In this way, organisations understand more than just their status quo and can deduce where they want to go. This future remains adaptive to the extent necessary, and it is always connected to the people who wish to achieve it.

3.3.2. Experimenting and learning in the system

Of course agile techniques can be used on the path to adaptability. Yet the main thing is to ensure that the whole ecosystem becomes a part of creating its own future. This builds the capacity needed for sustainable adaptability. Experimenting with the structure of the organisation and how it works (based on its environment), speeds up the learning process, changes the internal belief system in the organisation and inherently increases certainty around change. This is why the Adaptive Activator is not a programme that must be implemented within the organisation. Rather, we use its possibilities to address specific current problems. This has two beneficial effects:

- In solving concrete problems transformation occurs.
- During the process organisations learn how they will actually “be” in the new world.

This path has produced amazing results so far. Through the application of the Adaptive Activator, which is consistently structured as a system of participation, organisations succeed in going through lived transformation in as short a time as 12 to 36 months. Key here is the combination of specific concrete problems and participation. Companies are thus spared the classic transformational pains (resistance which is reduced to a tolerable level through persuasive communication) and the associated burdens of time and resources.

3.3.3. Optimising and sub-optimising, then re-optimising

Generally speaking, adaptation is a dynamic of optimisation as it transfers information from the environment to teams and individuals to optimise management of uncertainty. The Adaptive Activator creates adaptive design as it consciously aims at designing an organisation to improve the flow of value, address sub-optimisations, and maximise the ability of teams to ensure the survival of the organisation. It is important to recognise that other designs, while attempting to optimise certain structures, processes and practices, may be unintentionally sub-optimised as a result of the overall organisation. Identifying such harmful sub-optimisations rapidly and working

out an overarching re-optimisation is one important organisational capability that is nurtured by the Adaptive Activator.

3.3.4. Measuring, evaluating and re-evaluating

Adaptive organisations need to create high-frequency feedback loops to learn from their experiences as quickly as possible. They should strive to adopt a data-driven strategy whilst at the same time being aware of the pitfalls of using metrics and measures. Once a measure becomes a goal, the organisation may adapt actions in pursuit of that goal and miss the cues for continued adaptation. Accordingly organisations on this journey both need to adapt their measures and metrics and be aware of their process in order to identify what needs to be measured. In the Adaptive Activator we call the thinking model that goes with this “common or garden sense”. Instead of setting immovable targets, it relies on quickly updating actual evaluations which enable teams to continue pursuing successful action. Activities with little effect can also be quickly recognised and terminated.