



# **Adaptive Organizations:** The BTS blueprint for turning organizational flexibility into a competitive advantage

# Today's uncertain world

Accelerating change and new complexities have contributed to a business environment in which it is difficult for even the most adept organizations to succeed. Companies today are playing constant catch-up in areas like sustainability, future preparation, technological advancements and adaptations, and more.

In the next decade, 50 percent of companies on the S&P 500 will be replaced by newcomers.<sup>1</sup> Similarly, foreshadowing imminent challenges, 50 percent of employees today say that their organization is unprepared for the future. To top it off, digital technology is upending industries.<sup>2</sup> Since 2019, for example, the tech giant Apple has sold more watches annually than all the Swiss watchmakers combined.<sup>3</sup>

While the digital transformation is one of the most visible symptoms of this rapidly changing ecosystem, the larger challenge that today's organizations face looms even greater still – change acceleration.

Throughout history, organizations have used a variety of terms to describe this phenomenon of perpetual, accelerating change. You've probably heard leaders reference terms like VUCA (Volatile, Uncertain, Complex, Ambiguous), BANI (Brittle, Anxious, Nonlinear, Incomprehensible), or the Cynefin Framework (Complex, Complicated, Chaotic, and Clear).

Why so many acronyms, you ask? Complexity is a universal pain point that makes management, forecasting, and comprehension increasingly difficult. Similarly, acceleration makes it difficult for even the most promising organizations to anticipate change and react in a timely and effective way.

Whichever framework you use to describe this challenge, if your organization plans to not only survive but also succeed in the future, your leaders must chart a path forward where adaptation and agility are embedded into the fibers of your culture, from people to technology. It's overwhelming to say the least. Though many leading organizations have already embraced this new reality and are rapidly charging ahead, the good news is that there is still time for your transformation limelight.

<sup>1</sup> <https://www.inc.com/ilan-mochari/innosight-sp-500-new-companies.html>

<sup>2</sup> <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-state-of-organizations-2023>

<sup>3</sup> <https://www.bloomberg.com/news/articles/2023-05-04/apple-watch-impact-on-pricey-swiss-timepieces-now-immaterial-ms>

# Addressing the challenge: **individual and collective dimensions of change**

To begin, it is critical to understand the six key challenges that your organization needs to overcome to thrive in step with the evolution of the world.

- ✓ Manage **large numbers of interacting elements**.
- ✓ Address **nonlinear interactions**, where minor changes produce disproportionately major consequences.
- ✓ Engage in dynamic change, where the whole is greater than the sum of its parts, and solutions can't be imposed, rather they **emerge** from the circumstances that occur.
- ✓ Accept irreversible evolution. The system has a history, and the past is integrated with the present; the elements evolve with one another and with the environment; and **evolution is irreversible**.
- ✓ Lead amid **constant change**. Though the complex system may, in retrospect, appear to be ordered and predictable, hindsight does not lead to foresight because the external conditions and systems are continually evolving.
- ✓ Navigate a complex system where the agents and the system constrain one another, especially over time. This means that it is **impossible forecast or predict** what will happen next.

## Thriving in the new environment

So, what does it take to address these six challenges? **Organizations need to be able to quickly adjust to challenges caused by changing market conditions.** These may be a result of emerging technology or new economic conditions. How do they do it? By modifying their competencies, mindsets, organizational structure, and ways of working.

This approach is called being an *Adaptive Organization*.



# What does an Adaptive Organization look like?

There are four key characteristics to examine:

## ✓ **Continuous prioritization and delivery**

Prioritization is critical for aligning and focusing the organization's efforts and investments. Prioritization allows leaders to spend time on actions that deliver the highest impact and value. But prioritization can't exist in a vacuum. It cannot have any impact without the support of good execution. The organization's efforts always produce results to put into the hands of users and customers.

Thoughtful and strategic prioritization allows for organizations to deliver a continuous and uninterrupted flow of value for the customer. As a result, organizations get a constant stream of customer data that they can use to identify changes and new trends in their market and context, define options to answer to these changes, and prioritize their responses to generate focus. This ability to review data, extract insights, and leverage the insights to know when to persist, pivot, discard, or pause is mission critical for driving the organization forward.

## ✓ **Quick, aligned decision making**

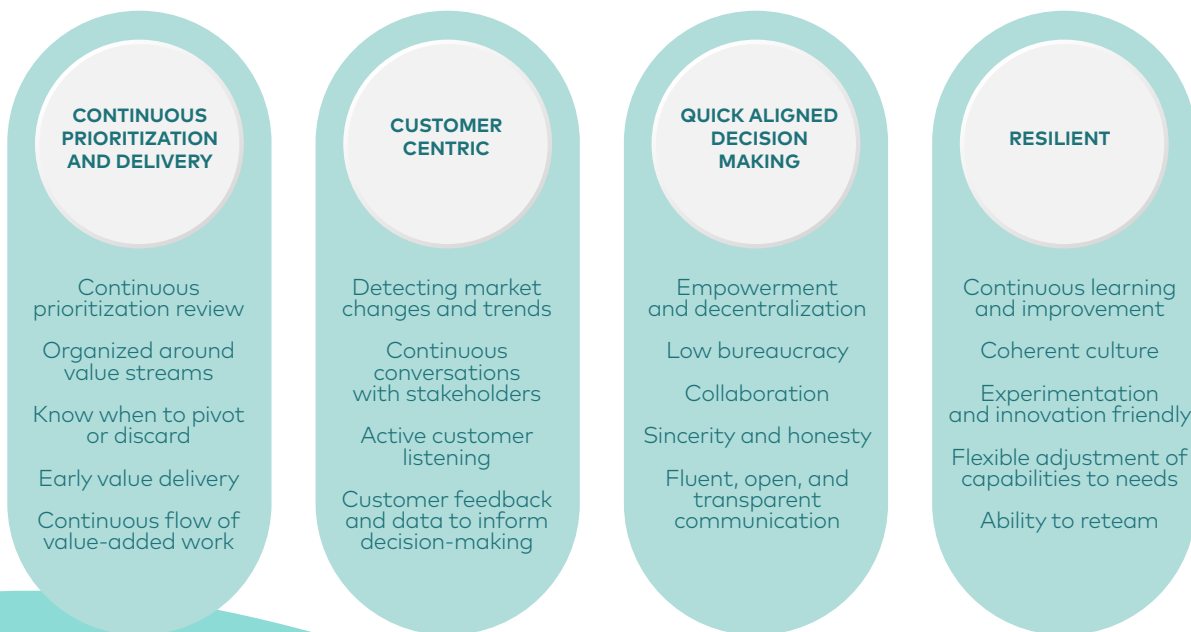
When unforeseen challenges arise, aligned, fast decision making is what sets top organizations apart. Organizations have created mechanisms such as decentralized decision-making and increased transparency to make their governance faster and more fluid, avoiding misalignment and derailment. With each decision, all organizational efforts are focused on what will deliver the most value for customers and users.

✔ **Customer centricity**

Customers are the reason organizations exist. And at the end of the day, the customer is the judge that decides an organization's future success or demise. Profound market knowledge and customer understanding are the lifeblood of any strategy. Organizations must practice active customer listening, to intuit their customers' needs and challenges, gather feedback, and define priorities that will push forward into the market.






✔ **Resiliency**

Organizations must not only resist but to ride the waves of change. Resiliency and flexibility are built into a future thriving organization's DNA. Instead of working in silos, Adaptive Organizations use alternative, more fluid structures that enable widespread resilience. These same organizations invest thoughtfully in developing learning capabilities that generate and collect knowledge. The cumulative experiences of high performing teams and contributors add immeasurable value, which facilitates necessary organizational evolution.

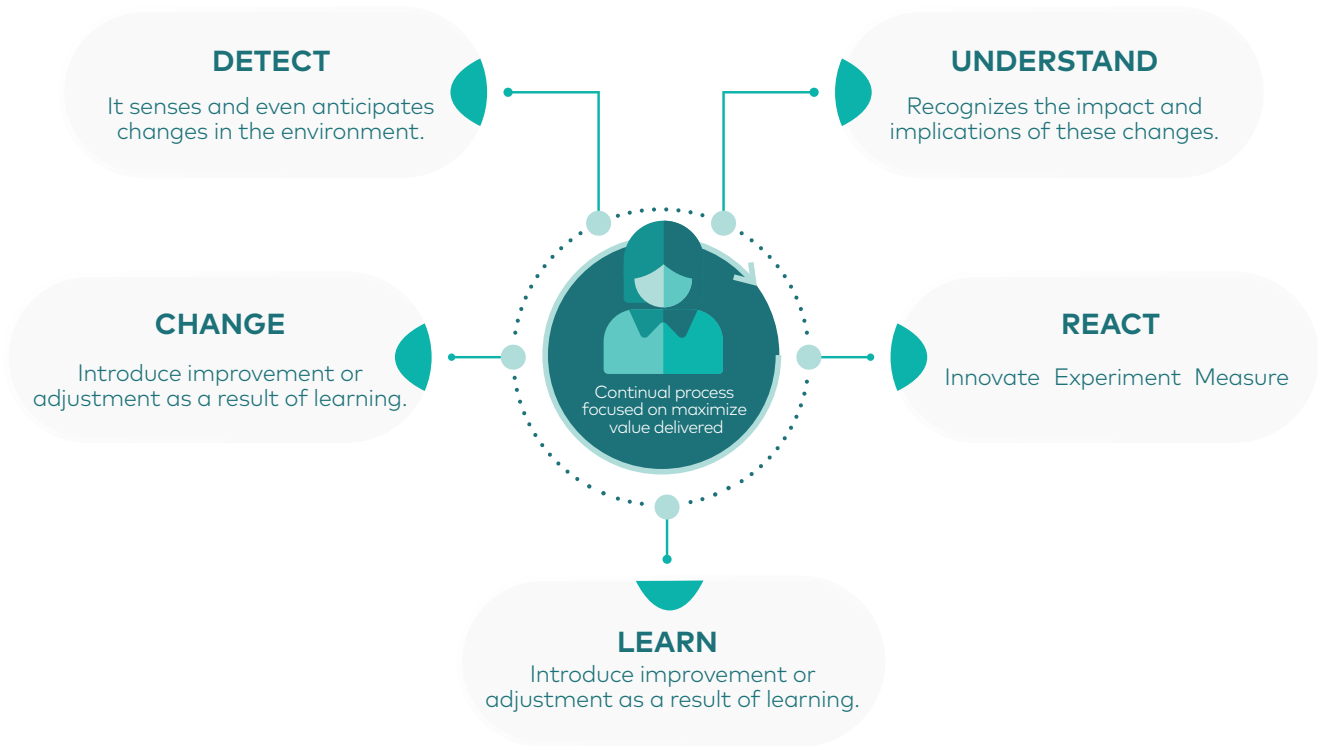


# How does an Adaptive Organization work?

Adaptive Organizations prioritize the customer above all else. To make decisions and move the business forward amid rapidly changing conditions, Adaptive Organizations use a continuous, iterative, five step cycle, which is centered around the customer:

-  **Detect.** Adaptive Organizations have the ability to sense and anticipate changes in their environment. Leaders in the organization keep an open mind, sensing and observing the changing market conditions.
-  **Understand.** Adaptive Organizations recognize the impact and implications of the changes they detect and understand and envision the consequences.
-  **React.** Adaptive Organizations have mechanisms that make it possible to take advantage of insights by imagining innovative solutions, building experiments, and gathering data to generate new insights.
-  **Learn.** Adaptive Organizations follow a continuous learning process that extracts, internalizes, and shares conclusions and lessons learned in the organization.
-  **Change.** Adaptive Organizations make process improvements and adjustments that make them more efficient, customer centric, and people oriented.

This cycle is depicted in this image:





# Becoming an Adaptive Organization

Clearly becoming an Adaptive Organization is the ultimate goal, however daunting. So, how do you get there?

The first step is understanding where your organization is right now. Ask yourself:

- ➔ What is our starting point?
- ➔ What are our biggest challenges?
- ➔ Which challenges should we address first?

Once you answer these questions, you can begin building a roadmap for change. Do this by asking: why should we address this first? Then, begin working towards this new reality as soon as possible.

Becoming an Adaptive Organization is not a one-off project with a beginning, middle, and end. It is an ongoing reaction to the rapidly changing environment in which your company is operating. This is why it is mission critical to begin as soon as possible – it will be a continuous process, an infinite journey.

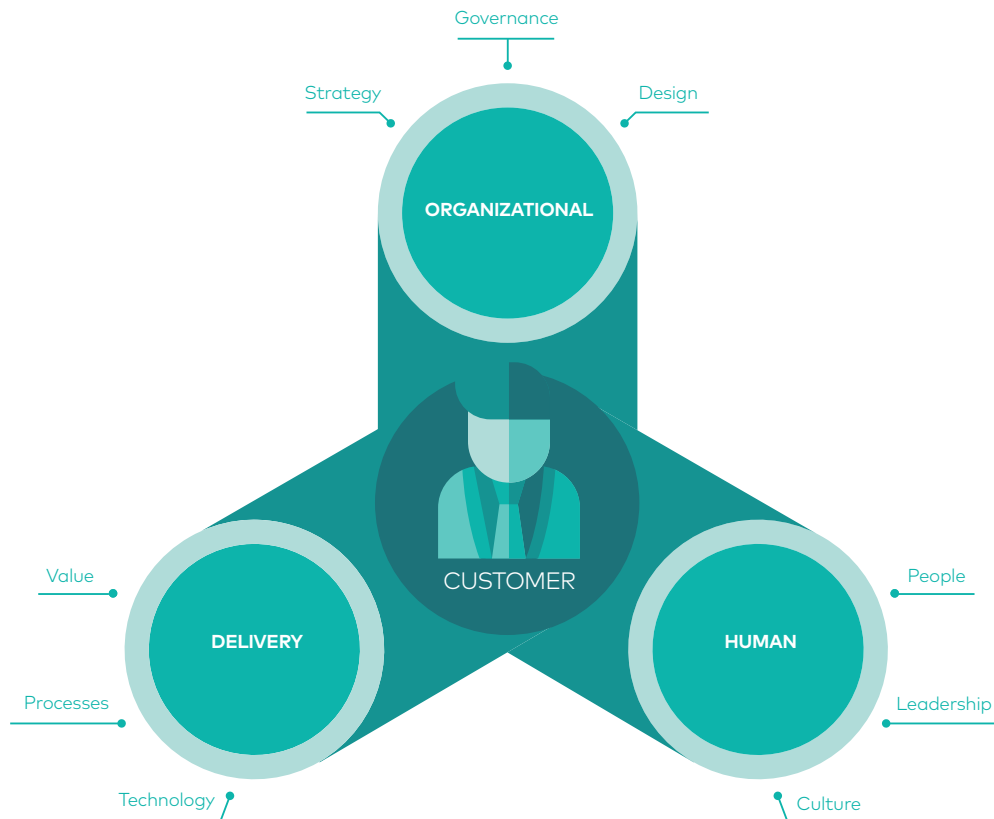
The competencies and capabilities that make it possible to continually adapt your business to the changing environment, remove systemic constraints, and optimize the whole organization is called Business Agility. It is the last evolutionary phase of Agile, which was developed to improve ways of working in teams.

But Business Agility is not the same as Agile. Agile is a series of techniques and practices to foster fast value delivery based on the values and principles of the Agile Manifesto. Agile is a how, not a why. While Agile evolved to scale techniques and practices to programs and bigger structures, now, Business Agility extends the benefits of the Agile mindset and principles to the whole organization.

As you work towards your new reality, you will not have all the answers, but you will quickly move from ideas to action. The resulting transformation could be massive or take the form of a few small tweaks. It is different in every organization. As soon as you begin, with each step, you will be closer to becoming an Adaptive Organization.

Moving through your journey to becoming an Adaptive Organization, to ensure the transformation is a success, it is critical to address the nine dimensions of your organization that need to change. Without doing so, it is impossible to create lasting change. Oftentimes, organizations will exclusively focus on one of the nine dimensions and then wonder why the effort failed.

The below diagram highlights the nine dimensions.





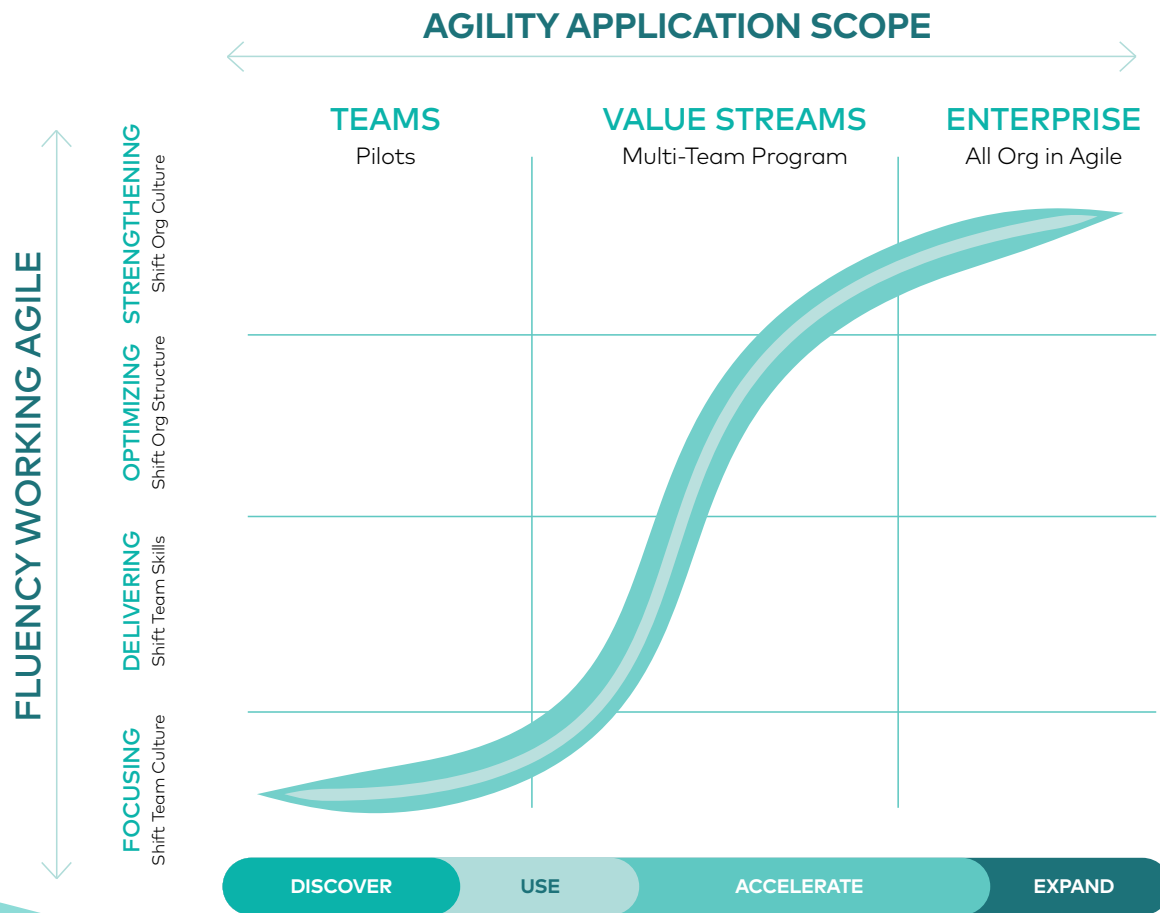
For example, addressing only the people side will not work if the processes and technology are not aligned. Or if change isn't an intentional part of how you define and implement your new strategy, your organization will not be able to fully embrace the new ways of working. True transformation requires a systematic approach. You must ask: how will change affect each dimension? And then chart a path forward that addresses change in each one.

Each company's path forward will look different as the change needed in each dimension will differ depending on your organization. However, this process isn't easy, and sometimes seeking an external partner can be a powerful move that enables your organization to access a sounding board and experienced guide that will help you more quickly and effectively shepherd the new approach into your organization and embed it into your unique ways of working.

The right external partner can guide you through designing your new organizational model and processes, work with your people to drive and embrace the transformation, and help you refine the processes, structures, and hierarchies that are both created and used by your people to embrace the shift. Amid such a massive transformation, support that truly understands your culture, people, and ways of working can be the linchpin that cements your ability to execute the transformation successfully.

### The "S-journey" to becoming an Adaptive Organization

The path to becoming an Adaptive Organization can be visualized as an "S-journey," an s-shaped curve that represents the evolution of an organization's fluency in Agile practices. This journey is not linear; it reflects the gradual growth in capabilities and expanding reach of Agile principles from individual teams to the entire enterprise.



The "S-journey" is characterized by key inflection points where shifts in mindset, embracing innovative practices, and customer centricity lead to transformative leaps forward.

At the beginning of this journey, initial successes with the foundational practices that enhance team-level fluency in Agile methodologies will create the momentum needed to scale Agile across departments and eventually, throughout your organizational ecosystem.

As the journey advances, the traditional boundaries of departments and functions will begin to blur, replaced by value streams with a dynamic network of empowered cross-functional teams aligned around common goals. The result is a business that moves with precision and purpose, swiftly responding to new opportunities and challenges in a fluid and unpredictable environment.



## Initiate your transformation

Now is the time to step boldly into the future. The world is not waiting; the pace of change is not slowing. The path your organization chooses today will define your success tomorrow. The power to transform change into an opportunity and complexity into a competitive advantage is within your grasp.

Embrace the journey towards becoming an Adaptive Organization. Let Business Agility be the compass that guides your organization to new horizons. Every step you take is a stride towards resilience, every turn a transition towards innovation, and every milestone a marker of your unwavering commitment to adaptability.

Start the transformation. Take the leap. **Become an Adaptive Organization.**

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to do the best work of their lives.



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