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The Adaptable Organization
Harnessing a networked
enterprise of human resilience

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

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Traditional organization charts are outdated.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 informal system can be more powerful in

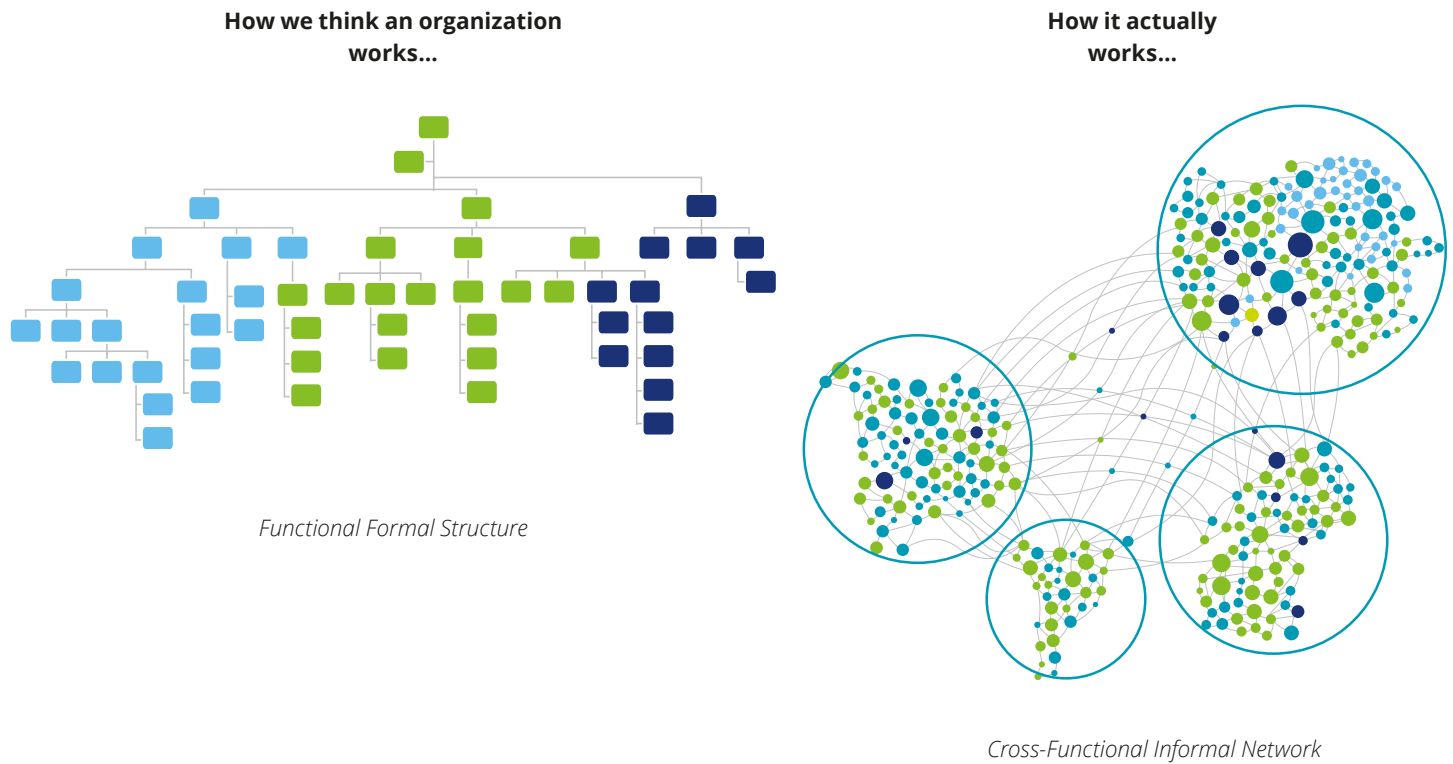
influencing behavior, efforts to innovate within the formal system often fail. Today, even successful organizations may succeed despite their structure, rather than being enabled by them, and the collective "calorie burn" of individuals trying to navigate a structure that works against their preferences 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.



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.

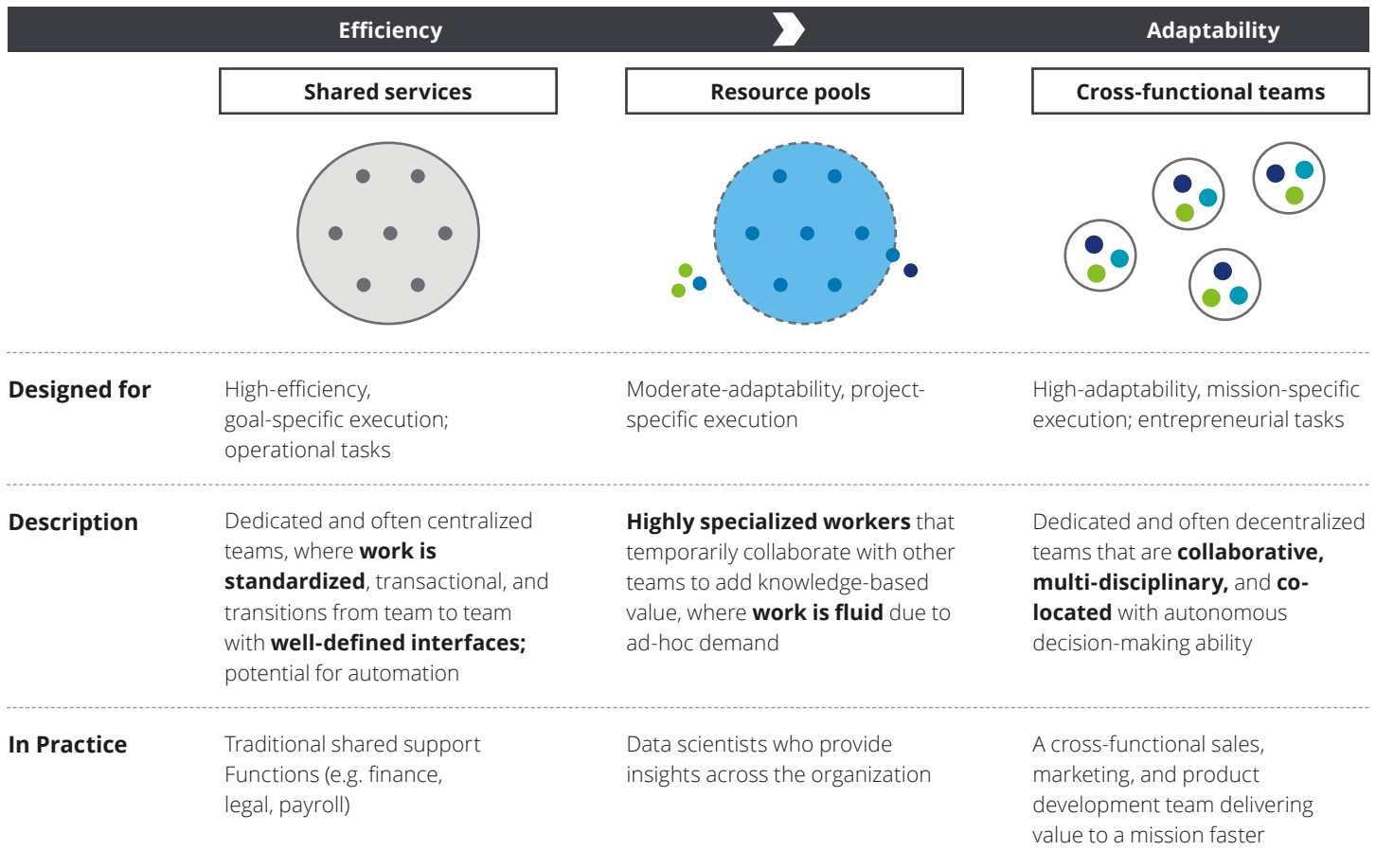
The new networked design must balance customer adaptability and scaled efficiency.

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.



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.

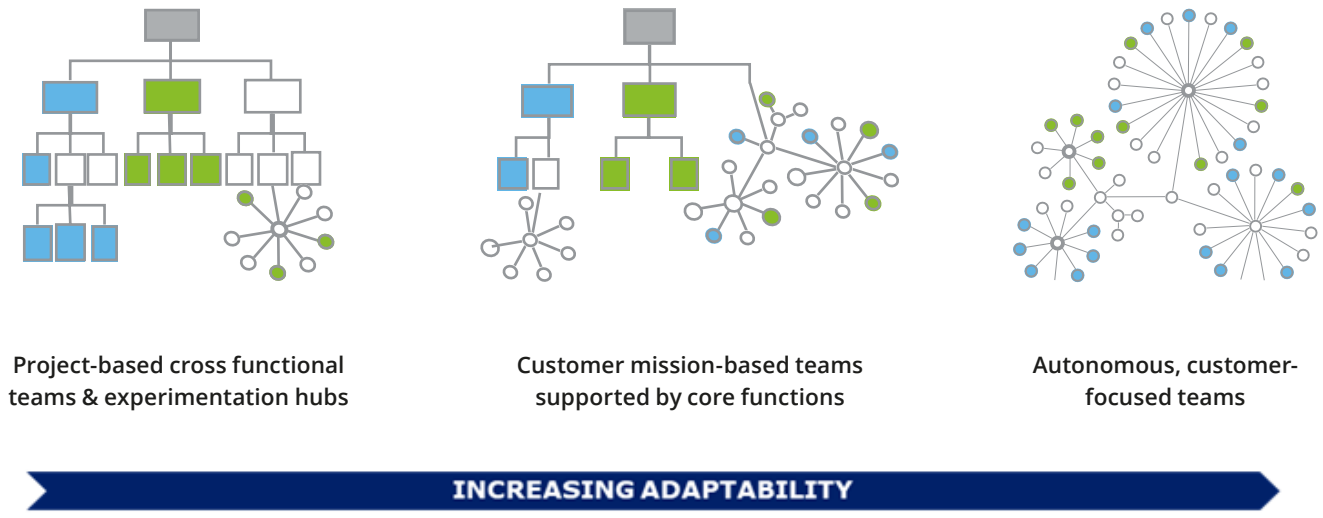
Once established, the customer-focused structure comes alive, now representing an organism instead of a rigid, mechanistic organization.

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.



End notes

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