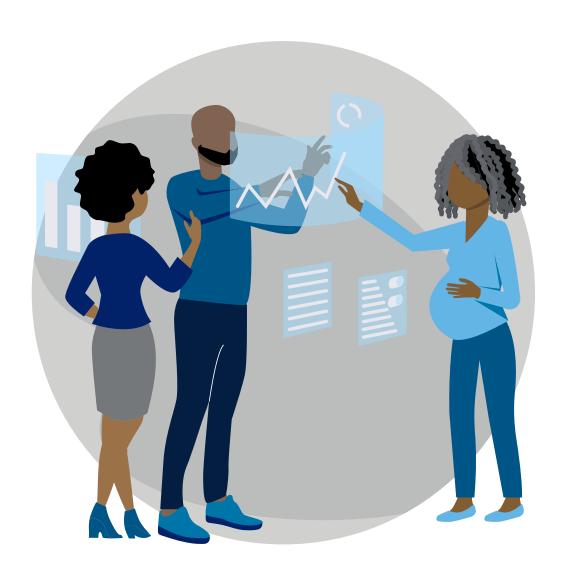# Deloitte.

Enterprise Adaptability

Designing resilient organizations

Introduction

Looking back on 2020, organizations had to pivot like never before. While maintaining business continuity and the physical and mental health of their employees, organizations had to adapt to an economy in crisis, new virtual ways of working, and rapidly changing consumer behaviors.

Now with the gradual distribution of the vaccine, organizations are increasingly planning for more changes. In the face of this unknown, organizations must be adaptable, with the ability to embrace change and rapidly respond to internal and external forces. Before, an organization's desire to become more agile and innovative was an indicator of success; now, it is an imperative for survival. So how exactly do you design for adaptability?

First, recognize that an organization is both a *technical* construct that needs to be engineered for efficiency and a *social* construct that needs to be nurtured to empower its workforce, customers, and communities. Specifically, there are four key ingredients that drive enterprise adaptability (figure 1):

1 **Built on purpose and meaning:** Rally your employees through a united vision to overcome challenges

2 **Organized for effectiveness and efficiency:** Drive focus and agility by unravelling your organization's complexity

3 **Optimized for the future workforce:** Build resilience by harnessing alternative talent models

4 **Designed for human-centered realities:** Treat employees as the "customer" of your organizational design

The four pillars of enterprise adaptability

Align around missions and outcomes

Unravel complexity

Balance efficiency with adaptability

Sustainably reduce cost

Built on purpose and meaning

Organized for effectiveness and efficiency

Design for more than profit

Simplify the corporate center

Structural

Enterprise adaptability

Harness the ecosystem

Drive an inclusive design process

Designed for human-centered realities

Optimized for the future workforce

Social

Promote thoughtful empowerment

Build org. sensing and learning

Give people the tools and tech to own outcomes

Govern the on- and off-balance-sheet workforce

Case study: Simplifying org structure to reduce time to market

A private, not-for-profit clinical research center was burdened by a complex and bureaucratic organizational structure. An assessment uncovered an abundance of shadow organizations, undefined roles, and inconsistent leadership responsibilities. The research center began with defining a purpose and refreshed operating model that intentionally centralized its functions around defined capabilities for each team, eliminating shadow organizations. Through reducing unnecessary layers of decision-making and driving role clarity, the simplified organization structure reduced time to market by 50% and reduced costs while introducing employees to a more productive, straightforward way of working.

Case study: Aligning the workforce to a mission of safety

A global agricultural company sought to create a culture where every employee felt committed to its mission to safely and sustainably help the world thrive. The company transformed its Environmental Health and Safety department by redesigning its operating model and linked the team's purpose to a tangible, achievable piece of the larger mission. It also simplified decision-making, delayered the organization, and standardized processes. The transformation enabled the company to achieve its safety targets and lessen employee incidents across the organization.

1

Built on purpose and meaning

While most organizations have attempted to become more "purpose-oriented," it can be challenging to yield the desired outcome of a truly purpose-driven workforce. Becoming a purpose-driven organization requires leaders to create an environment where employees can live their purpose every day. It's about aligning the whole organization on an inspiring vision, organizing teams around tangible outcomes toward which they can strive.

Align around missions and outcomes
Imbue adaptability throughout the organization by aligning the entire workforce to a core purpose and cascade that purpose to mission-based teams that drive individual activities. This cascade creates manageable and consumable outcomes that teams can have responsibility to deliver. For example, "happy customers" is an intangible goal to organize around. However, delivering "a straightforward, user-friendly online experience" or "surprise and delight customers through after-market care" is something employees can actually drive toward.

Balance agile teams with standardized functions
One of the major temptations of the past few years of adaptable transformations has been the application of "one-size-fits-all" solutions (e.g., major energy companies or banks trying to operate like startups or streaming services). The reality is that some parts of the organization still need to operate with functional consistency in mind, while other teams should look and feel like a startup. This is the balance between efficiency and adaptability.

First, determine the parts of your organization that are most suited to startup-style, agile teams that deploy based on market needs (e.g., marketing). These areas are generally susceptible to frequent consumer behavior shifts or technology disruption. For the remaining functions that are more suited for efficiency (e.g., compensation and benefits), focus on improving work through automation and use of a distributed workforce.

Then, assemble cross-functional teams of employees, each centered on a mission with a clear and flexible mandate. This approach helps to mitigate employee confusion, as each team is focused on one mission, with one set of objectives and the right tools and information to achieve it. Make sure that appropriate decision rights are in place so these cross-functional teams are empowered to make decisions by themselves. Resist the temptation to build in unnecessary levels of governance and rounds of internal checks, and empower them as decision-makers. Each team should be empowered to work independently enough that it can adapt to internal and external forces, remaining focused on achieving the team's mission and measured based on the outcomes they deliver.

Design for more than profit
There is increased expectation for companies to play a greater leadership role in building better societies. Organizations that are socially responsible and actually follow through with tangible changes to their operating models to reflect sustainability or inclusion ambitions enjoy increased engagement from customers and employees alike.

To design a more compassionate organization, consider whether the missions that you are mobilizing around satisfy a "triple bottom line" mindset of driving profit, people, and community outcomes. Once you determine a mission, take tangible steps to see if you can truly follow through on critical sustainability and community goals in your organization design (e.g., elevated roles with C-suite mandates and thoughtful decisions on where certain functions like sustainability reside).

As part of the organization design, set up new capabilities for success by ensuring that new, elevated leadership roles actually have the resourcing, capacity, and execution power to deliver on publicly stated goals around well-being, community impact, inclusion, sustainability, and other goals that matter to both your customers and workforce.

Case study: Adapting swiftly to address critical PPE shortages

In the face of a dwindling economy and decreased demand for their products, car manufacturers mobilized quickly to deploy multidisciplinary teams across engineering, Research & Development, manufacturing, and other areas to produce medical devices and personal protective equipment (PPE). As a result of their ability to adapt swiftly, car manufacturers have reported profits from producing medical devices and PPE.[1]

Designing around purpose and meaning, when done intentionally at all levels, helps unify your workforce by providing them with tangible missions to accomplish in the face of change.

2

Organized for effectiveness and efficiency

Today, leaders and employees often echo their frustration with excessive layers of management, duplication of effort, and complex matrix reporting, which can add friction to the simple act of doing a good job at work. Simplification is about unraveling that complexity, reducing costs in a sustainable way, and challenging the role of the corporate headquarters (HQ) to focus effort where value is created.

Unravel complexity

The traditional sticks-and-boxes picture of an organization provides insights into the way it delegates tasks to specific functions, processes, teams, and individuals. While it's important to look at span of control and decision rights, organizations should also analyze their relational data to understand how work is performed. Network analysis is a powerful tool to look at the health of an organization by mapping the invisible networks of collaboration. It shows in real time how teams work together, where bottlenecks exist, and how to improve the way teams are structured to improve those connection points. Through network analysis, an organization can unravel complexities by pinpointing and removing redundancies, as well as seeing how employees actually work together, regardless of reporting lines. With the understanding of how it really works, an organization can design to enable, rather than manage, its workforce.

Reducing costs sustainably

Understanding opportunities to simplify your organization will also help to reduce costs sustainably. Financial resilience is key to surviving in times of uncertainty. Reducing complexity can prepare an organization to reduce costs sustainably,

instead of implementing harsh, reactive, and drastic cost-cutting measures that can shake the organization to its core and affect performance and morale for years.

Labor costs are easily the number one operating expense category for most businesses, accounting on average for 40% to 60% of expenses.[2] Yet, the return on labor costs is typically unknown. For many organizations, data resides in disparate systems, and there is rarely a single source of truth from which to understand how trade-offs between cost savings and employee preferences are linked. Some costs, such as for analytics or innovation, are necessary to keep organizations protected from disruption. Simplifying an organization allows for a balance between reducing costs and reinvesting in growth areas.

Reimagine the role of the corporate HQ

The past century of rapid globalization has led to massive global and regional headquarter structures to support dispersed teams. With the improvement of real-time analytics and blending of human and automation (see "Build superteams"), simplification of organizations can accelerate a reimagined, delayered corporate structure. Unraveling organizational complexity provides an opportunity to reexamine and streamline the role of headquarters. Overlapping mandates at the global, regional, and local levels sometimes result in heavily bureaucratic global governance, with entire executive layers focused on overseeing the level below them.

Case study: Delayering bureaucracy in the HQ to meet consumer needs

A global retailer eliminated its bureaucratic layer of regional management and simplified the decision-making process so frontline teams could pivot quickly to meet changing customer demands. As a result, frontline teams were empowered to make customer-focused decisions to best suit the needs and preferences of their local consumers. The retailer was able to reduce operating costs by 20% as the company moved from three megaregions to a single global headquarters.

Simplification is about unraveling structural complexity. When organizations do this successfully, it leads to sustained reduction in costs and enables them to reimagine the role of the corporate center.

3

Optimized for the future workforce

The next step to building enterprise adaptability is to look beyond your proverbial "four walls," sensing changes from the broader ecosystem your organization works within and rebuilding its networks to listen and adapt to impending change. Leaders must rethink their operating models and organizational design to manage crowd, gig, machine, and human resources as a single symbiotic network that is more than the sum of its parts.

Build organizational sensing
Today's organizations must become increasingly attuned to changes in both the external environment and its internal structures. To do so, they must purposefully build ways for internal teams to pick up on external cues. Organizational sensing is an information-processing capacity that allows organizations to scan, create, interpret, and learn from their environment.[3]

First, define the customer outcomes you want to achieve. A customer can be anyone who participates in some exchange of value, whether it is an external customer, such as a purchaser of a product, or an internal stakeholder, such as a business leader using internal recruiting services. Then, create symmetric feedback loops where teams can engage and understand their customer needs. This can be quantified by metrics such as referability, revenue, and net promoter score (NPS). Teams serving internal or external customers must be equipped with the authority and the expectation to consistently learn, innovate, and experiment based on their findings. Once you unearth emerging trends through organizational sensing, your organization must flex its own capabilities to meet the needs of the customer.

Explore alternative talent models
One way to scale your organization's capabilities rapidly in the face of change is to supplement traditional employees with alternative sources of talent. This can include:[4]

- Independent contractors, who typically work side by side with the traditional workforce on specified projects

- Gig workers, who are paid to complete a specified task

- Crowd workers, who can be reached in large pools via an online platform

The alternative workforce is growing and accessible, now more than ever. There are about 57 million workers participating in the American gig economy, accounting for 36% of the US workforce. By 2027, this "alternative workforce" of freelancers, gig workers, and crowd workers is expected to become the majority of the US workforce.[5] Additionally, these alternative, on-demand talent models allow organizations to pivot and scale quickly, at a fraction of the cost.

Build superteams
In addition to human resources, consider how you are using technology to expand your organization's capabilities. Deloitte's 2021 and 2020 Human Capital Trends reports recognize that "superteams," in which people are paired with technology such as artificial intelligence to rearchitect work, can play an integral part in an organization's ability to thrive. The greatest benefit of implementing superteams is not necessarily the ability to get work done cheaper and faster. It is the ability to combine the complementary strengths of

humans and technology: humans doing work that is uniquely human and machines doing the work does not require human intervention.

Creating connected networks is about dramatically increasing the surface area of sensors that your organization has, then using your environment—whether human or technological—to build augmented teams to adapt to sudden changes.

Case study: Deploying superteams to tackle unprecedented growth

An e-commerce logistics provider successfully tackled explosive growth through expanding explosive growth in 2020 through expanding its partnerships and implementing tech-enabled superteams.[6] Radial partnered with The e-commerce provider partnered with a robotics company to supplement its human teams with autonomous mobile robots, which enabled on-site employees to travel swiftly and accurately to picking locations in warehouses.[7] The robots also helped expedite the onboarding of seasonal workers through their multilanguage capabilities and tablet-based interface.

By thoughtfully augmenting your traditional workforce, your organization can successfully adapt to external changes to the ecosystem.

4

Designed for human-centered realities

The final step to sustainably improving adaptability is to view your employees as the ultimate beneficiary of your organizational structure and ways of working. By building organizations around their strengths, ambitions, and limitations, as well as empowering employees to make decisions with equal accountability, adaptability increases exponentially.

Drive an inclusive design process
Designing an organization with humans at the center starts with involving the workforce in the design process itself. View employees as "customers" of a final organization design "product." An inclusive design process will naturally generate empowerment, minimize executive tunnel vision, and effectively "start the clock" on change management before the design is complete. It will also result in a model that optimizes for the effectiveness of the team, rather than for control by the leader.

First, conduct internal research to understand the experiences and opportunities identified by your workforce. An annual "pulse" survey may provide some helpful pointers, but likely isn't enough; you should consider dedicating time to interviews or focus groups so employees can articulate their input as customers of the organizational design. Then, communicate progress in the transformation journey as decisions are made. In addition to driving greater feedback, the transparency will help employees swiftly adjust to the new ways of working.

Promote thoughtful empowerment
Finding the right balance between control and autonomy can enable organizations to minimize risks while at the same time driving innovation, creativity, and speed.

These are not two mutually exclusive choices; leaders can strike the right balance for what works best in their organizations. The key is in establishing principles-based lean governance, guardrails, and delegated decision rights so that teams can safely deliver business results.

Adopt a decision rights framework that distributes decision-making authority to the lowest practical levels of the organization and clarifies where consultation or escalation is necessary and where, ideally, decisions can be made "at the source." Then, educate and train individuals, teams, and leaders on the new ways of working in a more empowered setup, and provide ongoing support and coaching to make this a success—ensuring that with empowerment also comes accountability.

Design work for well-being
As highlighted in Deloitte's 2021 Global Human Capital Trends study, well-being remains a top priority for organizations. The COVID-19 crisis has forced organizations to rethink employee health and safety like never before, and organizations quickly sprung to action. Once physical safety precautions such as remote work options, social distancing, and workplace disinfections were in place, many companies then had to face the challenge of addressing workers' emotional health as the toll of the stress of working from home, enforced isolation, and uncertainty set in. By now, companies have explored flexible work options, increased access to mental health resources, and implemented additional time off.

Moving forward, employee well-being must remain at the forefront of how a company evolves. Studies have shown that, unsurprisingly, distressed workers are significantly less productive than those who

are not.[8] Leaders can build resilience within their workforce by intentionally asking how their organization protects the well-being of their employees so they can stay focused on the work at hand.

Case study: Empowering inclusive teams to protect worker well-being

Like many other businesses, a railway vehicle manufacturer faced significant disruptions in the face of COVID-19–related shutdowns. In addition to increasing remote work options and other flexibility options, the company also deployed "crisis cells"—teams of employees from every level of the organization—to ensure safe working conditions on the ground.[9] Motivated by the common goal of making the workplace as safe as possible, these small, inclusive teams frequently adjusted company policies as regulations changed. The company was scored one of the highest for human capital management in the *Wall Street Journal's* ranking of the world's 100 most sustainably managed companies in 2020.[10]

When faced with a crisis, it may be tempting to make bold, top-down decisions with minimal input in favor of speed. However, designing for thoughtful empowerment and employee well-being while including employees along the journey can result in a more sustainable and resilient organization.

Conclusion

The COVID-19 pandemic forced organizations to rise to unprecedented challenges that required fast decisions and an empowered workforce to survive. Now, organizations have the opportunity to carry these changes into the next chapter of their journeys instead of leaving them as an operating anomaly that existed only during time of crisis. Through intentionally designing for enterprise adaptability now, organizations can build up the resilience and flexibility needed for the future.

While the four pillars of enterprise adaptability paint a picture of "what good looks like," it is up to organizations themselves to move beyond individual quick fixes toward a complete reimagination of how it operates. Whether it's about being more simplified, connected internally and externally, human-centered, or driven by purpose, organizations can start by asking themselves the following questions:

- **Ecosystem** – Are your decisions guided by an "outside-in" view that drives success beyond the metaphorical walls of the organization? Do you start your thought process with "What will our customers, partners, and suppliers say?"

- **Organization** – Are you ready to make significant changes to how you are structured and move from what is comfortable and familiar (e.g., functional, matrix control) to what is needed in a hypercompetitive environment?

- **Leadership** – Are you prepared to invest in your current leaders to learn new skills and to also make difficult choices to bring new blood into the organization?

- **Teams** – Are you prepared to fundamentally change ways of working, governance, and daily routines to complement the choices you have made around how you lead and organize?

- **Individuals** – Are you ready to invest the time necessary to rethink traditional practices around how performance is managed, how succession is planned for, and how people are rewarded to bring your vision to life?

While the need for adaptability in these challenging times is self-evident, the path requires continued investment persistence. On the other side of the effort, though, is a workplace that has unleashed the full potential of its people by bringing more meaning, impact, and—dare we say—fun back to work.

Endnotes

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