

Organizational Systems Designed to Adapt: The learning snake

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The need for adaptive and resilient organizations

Many leaders agree that their organizations need to become faster, more nimble and more innovative to stay relevant in an ever-changing external environment. Already in 2011, Reeves and Deimler argued in famous paper in HBR that “Adaptability is the new competitive advantage”. The importance of being “agile” – not only in processes but as a company – has been discussed among researchers and leaders for many years now (see for instance Agile at scale, HBR, Rigby et al. 2018 or Nimble leadership, HBR, Acona et al. 2019).

It is questionable, however, if organizations really have become more adaptable and agile. The annual “state of agile” report shows that most organizations see being agile as key for success but only about 20% claim to be “very satisfied” with their current agile status in the organization (State of Agile, 2022). Leaders in studies that we have conducted at Center for Higher Ambition at IMIT provide one possible explanation for not being as adaptable as they would like: the pressure to perform and to be efficient is greater than ever – potentially driving a short-term focus and silo orientation. This in turn, is the enemy of collaborative behavior and learning. Other leaders simply explain that old habits die hard – they know how to run a well-oiled machine from top to bottom, and it takes an both effort and courage to shift mindset and behavior to continuously manage and lead a learning process – and there is a lack of models to turn to in order to support that shift.

Thus, there seems to be a need to create a framework, model or at least guard rails to hold on to, when aspiring to shift towards a more adaptable and agile organization. This short paper aims to address some fundamental components to put in place to create a draft model of an adaptable organization.

Main components

The domains in play

First, to be agile does not mean lack of direction, nor does it mean that everyone in an organization can or should do exactly what they want. It does mean, however, that an organization needs to be quick to adapt to new information in fast cycles of learning. It is one thing to create those learning opportunities for one team or one process. But how do we create these opportunities for an entire organization?

We argue that adaptable and agile organizations need to have a clear direction, a clear sense of purpose and clear priorities - just like any organization. Leaders that we have collaborated with argue that the sense of purpose and a meaningful direction is potentially more – not less – important in a turbulent and fastmoving world. Hence – in a model for an adaptable organization we need to make room for purpose to influence organizational activities. In this paper, we refer to this as the *strategic domain* (Figure 1). In the strategic domain, work needs to be done to create direction along with an organizational system design that intends to support activities in that direction.

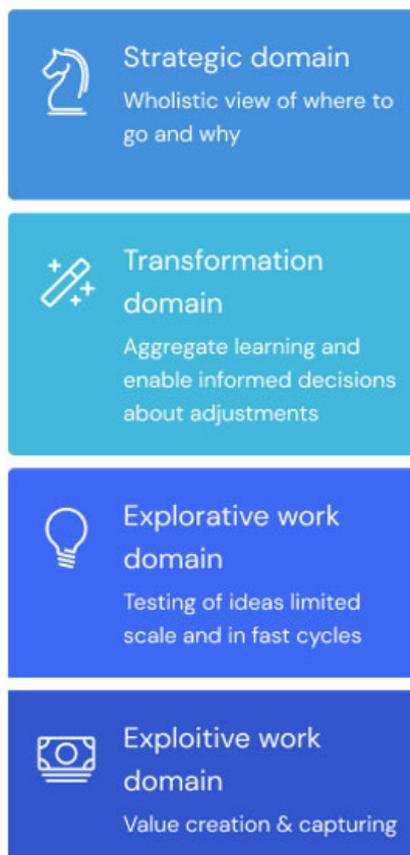


Figure 1: The domains in play

This will in turn lead to clarity of prioritization in the *work domain* - what the organization needs to be focusing on to make progress in this direction. In this paper we argue that work – in a contemporary fast-paced world – in almost all organizations needs to be both of exploitative (daily operation in current business/working model) and of explorative nature (innovative work to develop future business/models). Thus, both current operations and tests/pilots of innovative ideas are guided by the same north star (but with different ways of working and with different time frames). Moreover, it is important for an adaptive organization to learn from both these “modes” of working.

That is why we argue for designing a *transformation domain*, where selected groups/individuals have a specific task to continuously aggregate learnings from what is going on in organization. Key blockers of the strategic journey (and key success factors that needs even more focus) that will require shift in direction, system design and priorities are to be discussed with representatives in the strategic domain – to quickly adjust. Figure 2 further depicts how the different domains are interconnected.

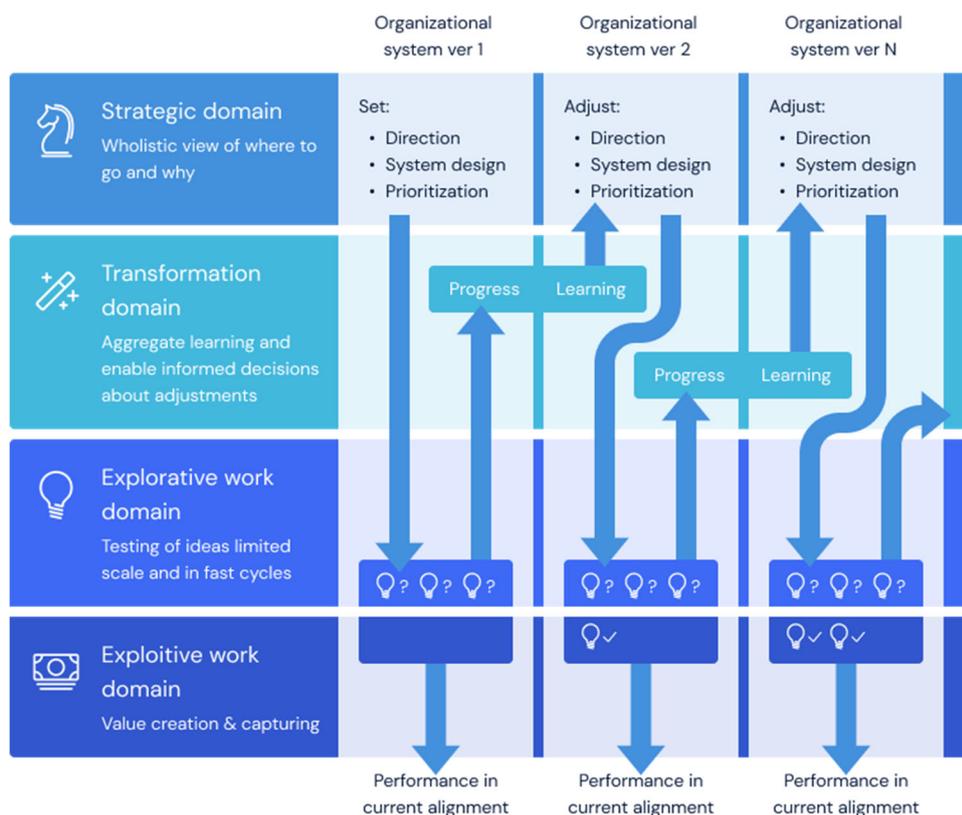


Figure 2: An architecture for fast-cycle learning through transformation – the “snake”

We find that the transformation domain is often missing in organizations. Though each department or each project often follow up and learn continuously, we see few organizations that systematically aggregate learning from various sources of the work domain to actively and collectively learn on the bases of the whole organization. Moreover, through work in the transformation domain organizations

can not only learn about what needs to be changed – but also identify and celebrate success and progress towards the shared aspirations.

The pace

The work with direction in organizations is often based on a long-term vision/strategic intent along with a yearly (at best) revision of strategy. In the turbulent times we all operate in, it is potentially more important than ever to find something unifying and meaningful to hold on to in an organization. However, research points towards that it is getting harder to really point towards clear destinations and goals far in the future – and that organizations increasingly need to work with purpose as a long-term guide for organizations (see for instance Pregmark, 2022). In the near future, however, the purpose needs to be translated into actions through strategic choices and priorities. We argue that the traditional cadence of yearly revisions of company direction and/or organizational system set-up is not enough. Rather, organizations need to continuously follow their progress and learn about what is working and not working. In various research projects together with organizations, we have tested a quarterly cadence for strategic adjustments and have found it to be enough time to test and learn as well as enough speed to keep up with a changing environment. The “right” pace, however, is something for every organization to figure out as the environments are different in different industries and traditions.

In many organizations, the presentation of the new (or updated) strategic direction is often followed by a structured cascading process of some sort, where overall strategic priorities and targets are translated to goals and activities for departments and units. However, like research by for instance Beer (2020), we find in our studies that whereas the process for cascading strategic intent is often in place, the process for orchestrating learning from the organizational system is often missing.

Hence, we argue in this paper that a) the yearly cadence for strategic updates is way too slow and b) the cascading process needs to be complemented by a learning process following the same rhythm as the cascading process

The learning agenda

Again, we find that many organizations have a fairly clear process and working model for how to communicate about strategic direction and priorities. However, if an organization aspires to become more adaptable, agile or nimble, we argue that the cascading agenda needs to allow for much more empowerment, initiatives and creative ideas, but in a transparent way to facilitate cross-functional outreach. When describing the work domain in this paper, we differentiate between work of exploitative and explorative character – and to encourage especially explorative work. It is important to find ways to align around the shared purpose and direction, but also to expect and encourage new solutions and testing of new ways of doing things. We believe that there is room for improvement in the way many

organizations are working to execute on their strategic direction – stressing focus on simultaneous alignment and empowerment.

We also believe, however, that it is even more room for improvement putting a learning process in place. In a large, potentially global, organization, it is of course of outmost importance that the learning process constructed in a way that bring up the most pressing issues. At the same time, the learning agenda needs to be simple enough to make it easy to use.

Inspired by for instance Beer & Eisenstat (2004), we suggest a simple format based on questions like:

- How do we think and feel about our strategic direction?
- What is blocking us from progress?
- What is enabling progress?
- What are our main achievements?
- What are our best ideas and suggestions?

Of course, every organization needs to develop their specific learning agenda. Regardless, each learning level needs to consider a) what can we solve on our own? b) what do we need to collaborate with others to solve? c) what do we bring “one level up”? In the transformation domain, where a dedicated team are tasked to aggregate learning from the whole organizational system, this is a tricky task.

When presented with learning data from different parts of the organization, they need to synthesize and find the maybe 2-5 most important learnings that needs to be addressed in the strategic domain. These learnings could have to do with direction or with the need to change the set-up of various organizational system components.

The system perspective

To be adaptive means much more than being flexible in terms of resources or to rapidly change priorities in the strategic direction. It also means being quick to identify and make changes in the organizational system. According to Galbraith (2014), the behaviors (and following that, the performance) in an organization are a product of how the organizational system is designed. There are many ways to describe a system, but the main points are that the different system components need to fit together to be effective and that an organizational system consists of different structural and cultural pieces. In Galbraith’s version, the system consists of direction, organizational structure, processes, people and rewards – and these components together shape behavior in the organization. In Figure 3, Leadership as a driver for change in the other factors has been added as a component in the model.

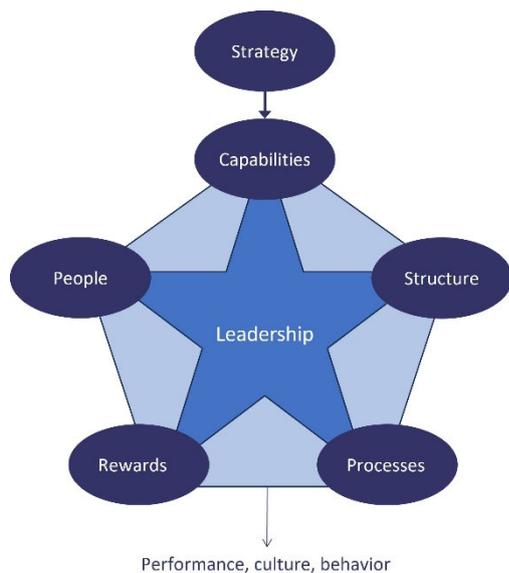


Figure 3. The star model (adjusted from Galbraith, 2014)

This means, that if the direction of the organization is changed, it is likely that other system components need to be changed as well. It also means that the organization will not be as effective as it can be if the components are not aligned. For instance, if an organization claim to have a strategy that require cross-functional collaboration (direction) but the reward system (KPIs, bonuses, what is getting recognition) is only based on silos, the system is not aligned and will not be effective.

In an adaptive organization, adjustments will be done more frequently and some of those adjustments will need to be done from the strategic domain. Thus, we argue that aggregated learnings from the organization need to be reflected upon, with a system perspective.

Main actors

To create an adaptive and agile organization is not easy. It goes against (or at least complements) the traditional hierarchical top-down model. Habits needs to be broken and new capabilities gained. Of course it is based on a management team that is up for the challenge – a management team that is prepared to actively listen, to change and to test new ways of working.

It takes leaders that are willing and capable to make room for testing and piloting and with that room for mistakes. It also takes leaders that are trained to facilitate a dialogue where people speak their minds.

Though the actors in the strategic domain and the work domain typically already exist and have designed fora for learning (though we argue that the agenda, frequency and intent of these foras might need to be updated), we rarely see dedicated groups or teams acting in the transformation domain. Again, this is the domain where aggregated learnings from the whole organization is sorted and become

clear input (as problems, opportunities or suggestions) to what needs to be changed in terms of direction, priorities or the organizational system. How this team can be put together is of course for every organization to decide, but our studies show the importance of creating a cross-functional team of trusted persons. This could be a permanent group or a temporary group that shifts for instance every year.

Creating the Transformation Domain: Plan, Deliver, Adapt

Connecting the strategic domain to the work domain is critical in any organization, but also a difficult issue to solve. One case that we worked with established four global cross-cutting focus areas that were long-term strategic capabilities that needed to be built and maintained to ensure competitiveness. Each of these focus areas were assigned a cross-functional team, with one person as the leader. The teams were called Change Journey Teams (CJT). Each CJT set out a strategy and a high-level “From...To” with key phases outlined in a roadmap, with the first year described more in detail and the coming years on a high level. The four CJTs met together with the top team to align around sequencing, consequences for priorities, resources, and approach to implement, whether in the line organization or in cross-functional teams. One of the major discussion points was how to ensure focus, and not spread themselves too thin.

The CJTs cascaded the intent and their portfolio of initiatives into the line organization and teams. They established a weekly cadence for keeping up to speed and acting on any signals from the work and used a monthly cadence for taking a step back to see if any adjustments were needed to enable progress in a better way. However, on a quarterly basis, they did a more thorough retrospective, and each of the leaders in the CJTs met to discuss the major learnings, barriers, and successes. They agreed on how to solve issues that had not been resolved in each of the CJTs, and some of these were brought to a meeting with the top team to discuss proposals for how to enable better progress the next and coming quarters.

The top team reported several benefits with this approach. First, they got more progress from the focus this gave the organization. A lot of the old silo behavior were gone, since they had to work together on these strategic issues. They saw their values being enacted in the teams. Values like, collaboration, integrity, speed were all enabled by the structure. Finally, they reported individual growth among the team members that were exposed to both strategic topics as well as to the organizational complexities. The major challenges they faced were related to the top team’s own mode of operation, where they had to let go and empower more than they were used to.

After having run this for three quarters, the market took a hit, and their business was in a sharp decline. Based on the fast-cycle they had established, they were able to quickly adjust plans, and priorities and have key people on board and behind the decisions they needed to take.

We have seen this kind of group bringing tremendous value - and we also see how this kind of assignment can be a way for high potentials to grow into the next phase of their careers. To succeed in this role, the team members need zoom out from their current responsibilities and really practice a system perspective of the whole organization. In the words of Ancona et al. (2019), who write about how organizations can become nimble, they could be said to practice taking the role of architects – a key role to lead nimble and agile organizations. Perhaps, it is in groups with experience from operating in the transformation domain, the next agile top management will be found.

Summary and conclusions

Many leaders recognize the need for their organizations to be adaptable and agile in order to stay relevant in a changing environment. However, this is easier said than done. We argue that key components that leaders need to consider when creating a more adaptable organization is clarity in strategic direction, prioritization that aligns with that direction, and a system for continuous learning and adaptation. The learning system is enabled by what we call a transformation domain where groups or individuals aggregate learnings from across the organization and influence necessary adjustments to the strategic direction and system design. To make this stick, it is important to establish a pace of strategic adjustments that allows for testing, learning, and keeping up with changing environments.

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