

*The Practice of*  
**ADAPTIVE  
LEADERSHIP**

TOOLS  
AND TACTICS  
*for Changing  
Your Organization  
and the World*

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| CHAPTER 7 |

# Qualities of an Adaptive Organization

**D**IAGNOSING THE ORGANIZATIONAL system, the adaptive challenge at hand, and the political landscape in an enterprise takes time, careful thought, and courage. You have to improvise creatively and responsively as you engage stakeholders inside and across the boundaries of your organization. Some organizations have the keen external sensors, internal norms and a critical mass of people to do this. What distinguishes these enterprises? What makes some organizations more adaptive than others? We've identified five key characteristics:

1. Elephants in the room are named.
2. Responsibility for the organization's future is shared.
3. Independent judgment is expected.
4. Leadership capacity is developed.
5. Reflection and continuous learning are institutionalized.

After looking at each of these in turn, we will offer a worksheet (see table 7-1) that helps you assess how well your organization stacks up against these characteristics and begin thinking about how the enterprise could increase its adaptive capacity.

## Name the Elephants in the Room

In any meeting in any organization, there are really four meetings taking place at once. First, there is the public, explicit conversation, the ostensible reason for coming together. Second, there is the informal chat, hallway conversation, or premeeting meeting that took place before the meeting but that did not include everyone who was at the meeting itself. Third, there is the set of internal conversations unfolding within participants' heads related to the meeting agenda. These internal conversations often consist of balcony reflections, observations and interpretations about what is being said about the difficult issues that have not been openly acknowledged, those elephants in the room that no one is mentioning. Fourth, there are the meetings after the meeting, those conversations that occur at the coffee machine or by e-mail soon after everyone streams out of the conference room. Those exchanges are about what really happened during the meeting, the unspoken agendas and the tense moments that came and went without being publicly discussed.

In a highly adaptive organization, no issue is too sensitive to be raised at the official meeting, and no questions are off-limits. Someone who senses early changes in the external environment that would disturb current operations if those changes were taken seriously has the freedom to say so. It is not only all right to challenge the senior authority who represents and often protects those operations; it is expected. Indeed, when someone asks a hard question or raises a difficult issue, people in authority provide some protective cover for that courageous individual and help keep the issue alive, even if the issue makes them or others in the room squirm with discomfort. Crises are identified early on, long before they reach unmanageable proportions. Participants establish rituals and procedures designed to ensure that the elephants get acknowledged and discussed. Hidden perspectives get put on the table fairly quickly.

Andy Grove attributed Intel's agility, in part, to an attitude of almost paranoid vigilance scanning for emerging threats and opportunities externally and internally, in the marketplace and within the company. In that same spirit, the chair of any meeting might routinely ask something like, "What are we missing? Is there an angle we haven't yet

discussed?” or “Is there anything simmering below the surface that we need to talk about before we break up?”

### Share Responsibility for the Organization's Future

In most organizations, people have titles and they work in clearly defined teams and departments. We all need these labels and functional boundaries to have clarity about our roles in the organization and the structure of our reporting and lateral professional relationships. But titles and functional boundaries can also create a local orientation that sparks a desire to protect one's turf, erodes loyalty to the organization as a whole, and (most important) inhibits the enterprise's ability to operate across boundaries as needed to adapt to change.

In an organization with a high capacity to adapt, people share responsibility for the larger organization's future in addition to their identification with specific roles and functions.

This sense of shared responsibility for the whole manifests itself several ways in organizational life. At meetings people comment on and raise issues that are not within their own portfolios. If a complex problem arises in one department, the heads of other departments view it as their problem, too. Compensation and reward systems are weighted toward the performance of the whole company rather than that of individual units. Cross-functional problem solving is routine; departments often lend their people to other departments, and people deep down in the organization worry about issues and concerns that go beyond their own immediate assignments. At the front line, for example, Toyota is famous for having established a norm by which assembly line workers are encouraged to stop the production process if they see a problem, even beyond their specific role.

### Value Independent Judgment

An organization will be better equipped to identify and grapple with adaptive challenges if its people do not expect the CEO and other senior authorities to always have the answers. In such organizations, high-level executives and managers speak up on issues that are not within

their own bailiwicks and more freely change their positions after robust conversation among colleagues. “Sticking to your guns” is not the highest value. When President John F. Kennedy gathered a team of people in October 1963 to help him develop the best way to respond to the Cuban Missile Crisis, he invited some members because of their specific expertise and others because he valued their judgment, regardless of their formally defined roles. During the deliberations, participants in the group changed positions frequently as arguments were made, refined, fleshed out, and amended. In an organization where people are valued for their judgment, the question asked is not “What would the people above me in the hierarchy do?” but “What do I think is the best thing to do here in the service of the mission of the organization?” And in those organizations, there is a palpable norm of pushing decision making and idea generation down deep into the organization.

### Build Leadership Capacity

Organizations enhance their ability to handle adaptive challenges by ensuring a healthy pipeline of talent. This is not about sending people to seminars. A commitment to individualized professional development comes from understanding that the courage to make needed change resides in people who have a long-term perspective and a stake in the organization’s future. Adaptive CEOs understand that they, not their vice president of human resources, are the company’s chief personnel officer. Jack Welch was famous at GE in large part because of the seriousness with which he took on that job. Adaptive executives and operations folks understand that their most vital responsibility is getting the right people in the right roles doing the right jobs.

Beyond selection, leadership development is a line manager’s daily responsibility. Training and development processes like those we design in our consulting services are no substitute for regular on-the-job debriefing. Leadership is practiced in the details and must be learned close to where the tire hits the road. In an organization that sees the talent pipeline as central to its adaptive potential, people deep in the organization need clear on-the-job guidance to learn where they can make their greatest contribution going forward and what must happen to maximize their potential.

Succession plans are another clear indicator of how well an organization stacks up on this dimension. We often ask executives whether they have identified the two or three people with the capacity to do their jobs better than they can and, if so, what they are doing to nurture and mentor these individuals. GE, for example, has a rich history of succession planning. In fact, the planning process used by CEO Reginald Jones to promote Jack Welch in 1981 is classic among Harvard Business School case studies. But many organizations have better-developed *nonsuccession* plans than succession plans. Managers at one corporation with whom we worked dealt with their high-turnover problem by reframing it as a success. They recruited terrific young people, assuming they would stay around only for a few years before moving on. That way, they could take credit for giving talented young people needed experience, invest little or nothing in their development, and (by the way) ensure that those bright young folks would never go after their own jobs. Not surprisingly, with few people on hand to take a long-term view of the business and to feel a personal investment in the organization, the enterprise was unable to see the external changes that were making the company less relevant to customers and other constituencies.

### Institutionalize Reflection and Continuous Learning

Adaptation requires learning new ways to interpret what goes on around you and new ways to carry out work. It's not surprising, then, that in organizations with significant adaptive capacity, there is an openness and commitment to learning. Developing these cultural norms, however, is easier said than done. As people move up the hierarchy in an organization, it becomes increasingly difficult to acknowledge that they don't have all the answers. After all, they have been rewarded for being able to solve problems and take decisive action. As a result, senior executives at many organizations are often much more willing to sponsor learning opportunities for their direct reports than for themselves. But being open to learning is a critical capacity for anyone seeking to enable their organizations to adapt. People at all levels in the enterprise must be able to acknowledge what they do not know and need to discover. In today's world, even the most experienced experts

are in over their heads. Adaptive challenges cannot be solved by taking a course, hiring a consulting firm, or copying other companies' best practices. Instead, people throughout the organization must open themselves to experimentation, giving up some old truths that have become irrelevant with changes in the business, social, or political landscape.

What does a continuous-learning mind-set look like in action within an organization? Here are some signs:

- People who make mistakes or experiment with new ways of doing things are not marginalized. Instead, they are treated as founts of wisdom because they have had experiences that the organization needs to capture. For example, at one global bank, the CEO regularly identifies those responsible for big mistakes, helps them tease out what they have learned, and then sends them around the world sharing their new knowledge with colleagues.
- When strategic decisions need to be made, the perspectives of frontline people are considered. Executives and managers know that some of the most useful knowledge resides in those out in the field or on the assembly line, those who deal with the organization's day-to-day realities because they have their hands on the customers, products, and key constituencies. These organizations build their employees' input into the strategic planning process.<sup>1</sup>
- Retreats and off-sites are regularly scheduled and include people from all levels of the organization. These gatherings are two-way conversations instead of one-way lectures or mandates delivered from on high. A diverse group sets the agendas, and they leave space for issues that weren't anticipated in advance.
- When something bad happens (a client is lost, a bid is rejected), the news is acknowledged and the event is debriefed for its lessons, not treated as a cause for punishment.
- Through sabbaticals and leaves of absence, senior people are encouraged to get away from the office to refresh themselves and gain new perspectives.
- Communication and interaction are nurtured across all formal and informal boundaries. The organization brings together units

or factions that do not regularly do business with one another, separated by function, level of authority, geography, age, or nationality. Executives and managers try to put people face-to-face with “the other,” both within and outside the organization, to generate additional learning opportunities. By shadowing one another to learn about other jobs and perspectives, people get another angle on the whole.

- Executives encourage pure reflection as well as more disciplined processing of complex dynamic situations. For example, some gatherings are scheduled with no agendas, just to give people a chance to test different interpretations of current, past, and future realities.
- The organization supports coaching for those in top positions, knowing that simply having a sounding board outside the organization can prevent the insularity that undermines adaptability.
- People view the latest strategic plan as today’s best guess rather than a sacred text. And they expect to constantly refine it as new information comes in.

### ON THE BALCONY

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- What are the structures put in place to capture learning? Are the important lessons from experience left to the individuals to capture, or are there mechanisms for collective learning? Are there after-action reports or team debriefings? When next year’s budget and plans get made, what motivates the changes from the previous year? When people fail in the organization, what happens? Are they marginalized or are lessons learned?

### ON THE PRACTICE FIELD

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- How does your organization stack up against the five distinguishing characteristics of adaptability? Have yourself and each member of your team fill out the survey in table 7-1, where you each rate the

organization on the five adaptability criteria, using a scale of 1 (low rating) to 10 (high rating). Collectively discuss and interpret the data. Ask yourselves, should we try to increase any of those numbers? And if so, what would it take from each of us to do that?

TABLE 7-1

**Survey: How adaptive is your organization?**

Adaptability criteria	Description	Rating (1 means "very low"; 10 means "very high")
Elephants in the room	How long does it take for conversations to get from inside people's heads to the coffee machine and then to meeting rooms? How quickly are crises identified and bad news discussed? Are there structures, incentives, and support for speaking the unspeakable?	1 2 3 4 5 6 7 8 9 10
Shared responsibility	To what extent do people in your organization, especially those in senior management, act from the perspective of and for the betterment of the whole organization, as opposed to worrying about and protecting their individual groups or silos?	1 2 3 4 5 6 7 8 9 10
Independent judgment	To what extent are people in your organization valued for their own judgment rather than their capacity to divine the boss's preferences? And when someone takes a reasonable risk in service of the mission and it doesn't work out, to what extent is that seen as a learning opportunity rather than a personal failure?	1 2 3 4 5 6 7 8 9 10
Develop leadership capacity	To what extent do people know where they stand in the organization and their potential for growth and advancement? Do they have an agreed-upon plan for how they are going to reach their potential? And to what extent are senior managers expected to identify and mentor their successors?	1 2 3 4 5 6 7 8 9 10
Institutionalized reflection and continuous learning	Does the organization carve out time for individual and collective reflection and learning from experience? To what extent does the organization allocate time, space, and other resources to get diverse perspectives on how work could be done better?	1 2 3 4 5 6 7 8 9 10