

What to Do Now That You Can't Plan Anymore

Stephan H. Haeckel

How familiar is this scenario? Your annual planning process, which starts sometime in the summer and consumes an enormous amount of time, money and energy, produces a result that is terminally obsolete by the first quarter of the following year. Why? Because your forecasts and assumptions didn't hold up. Because, for example, your customers -- the ones who rely on you to achieve their objectives -- have discovered that their own plans have been made obsolete by changes in *their* customers' plans. So you have a series of intensive meetings, stop many of your new initiatives, reorder your priorities, reorganize (again) -- just in time to start working on next year's plan.

You know this doesn't make sense, but it's not clear how to get out of the vicious cycle. And it's not just your situation; it applies to virtually every other unit in your company.

There is a solution, but it's almost certainly not one you are thinking about now.

Bad News: Even the Best Process Designs Can't Help You Here

Confusing rapid response with adaptiveness, managers sometimes make the dangerous assumption that the way to deal with unpredictable change is to work on reducing the execution time of their plans. So they try to become process-centric, codifying the best way to do what they predict needs doing. While this is an excellent recipe for efficiency and competitiveness when things are predictable, following repeatable procedures in times of discontinuous change is at best useless, and at worst disastrous. In these circumstances, not only must core processes change dynamically, but the designation of what is "core" must frequently change, as well.

Adaptiveness implies *appropriate* response to change, not just rapid response. If the change is unanticipated, then the response will often have to be unprecedented. This means that for large organizations to adapt systematically in

the face of the unexpected, they must create and codify *ad hoc* processes, resorting to procedural designs to deal only with those things that change incrementally and with relative predictably. However, ad hoc process design poses a significant challenge. The only thing you can specify in an ad hoc process design is “who owes what to whom,” not the tasks required to produce the outcome. But without knowing the tasks involved, how will people know what to do?

The Sense & Respond Approach to Organizational Adaptiveness

Dealing with unpredictable change means coming to grips with the fact that you can't rely on forecasts, and you can't plan most people's work in advance. You have to rely on them to figure out how to produce the deliverables your customers need NOW, not what you predicted they would need at plan time.

Oh oh. This sounds like Empowerment -- déjà vu all over again. You've tried that and it didn't work. In fact, some of your people didn't *want* to be empowered, any more than you really felt comfortable about letting go of the reins and relying on thousands of empowered individuals in hundreds if empowered teams to somehow figure out how to work with each other. The problem of how to coordinate large numbers of truly empowered people never got satisfactorily addressed.

But now it can be. In the past few years several organizations have adopted a radically new model for adapting successfully in the unpredictable environment of the New Economy. They range from a large South African insurance firm, to a small, quick response unit in the US National Oceanic and Atmospheric Agency; from a large IBM IT development shop to a small non-profit organization called Partnership for a Drug Free America. The model is called “Sense-and-Respond.”

Sense-and-respond organizations achieve adaptiveness by dispatching their capabilities dynamically in response to individual customers' current requests. They accomplish this rapidly and profitably by:

- Articulating a clear and internally consistent organizational context within which empowered people can improvise and create in a coordinated way.

The context specifies the purpose and boundaries of the organization, along with a Role and Accountability Design that defines the interactions *between* - not the actions *of* – organizational roles. These interactions are defined in terms of the deliverables that key roles need from, and produce for, each other.

- Investing in environmental probes to capture a broad spectrum of the signals potentially relevant to their business and to the needs of their customers.
- Using data mining software and new market research models to help people in key roles know earlier than anyone else the meaning of current data about the environment, the customer, and emerging capabilities.
- Attracting and retaining people who are unusually talented in making meaning out of what, in unfamiliar situations, appears to be “noise.” Roles that involve handling unpredictable requests and producing unprecedented responses will require highly creative people with track records of successful improvisation. Long ago, the armed forces recognized the value of testing candidates' improvisational skills before placing them in high performance roles. Special forces candidates, for example, go through as many as two years of testing for adaptive aptitudes, during which they are asked repeatedly to improvise in unanticipated, high-pressure situations. Only those few who demonstrate consistent competence in these improvisational exercises qualify for admission to training programs.
- Driving business operations from customer requests, rather than from business plans. This means dispatching, rather than scheduling capabilities. This distinction is what makes a taxi company adaptive to the current needs of customers, and a bus company efficient in taking people where they were predicted to want to go.
- Implementing a technology-based commitment management system that enables empowered people to dynamically negotiate and deliver outcomes between themselves, rather than with their managers. The outcomes may be the result of either ad hoc (creative and improvisational) behavior or pre-designed “Six Sigma” procedures. In either case, the system can use

technology to validate that the results were produced in ways that did not violate the policies established in the organizational context provided by leadership.

- Rewarding people based on the risk and scope of the outcomes they take accountability for, and based on their customers' (not managers') evaluations of the results.
- Moving operational decision-making to customer-facing executives. In a customer-back organization that must respond rapidly, profitably and competitively to current customer requests, your generals must be on the front line. They must make the bid/no bid decision, allocate resources, and assume accountability for delivering value to the customer.

This list, while not exhaustive, hints at the very different set of strategic decisions that leaders of adaptive organizations will be called upon to make. Rather than be, as former Westinghouse CEO Michael Jordan once said, "chief problem solvers," successful leaders will excel at creating – and evolving -- superior organizational designs; putting the right people to work in the right roles; providing them with results-based incentives and a commitment management system; and then getting out of their way.

Stephan H. Haeckel is President of Adaptive Business Designs, and retired Director of Strategic Studies at IBM's Advanced Business Institute Adaptive Enterprise: Creating and Leading Sense-and-Respond Organizations (Harvard Business School Press) describes in detail his prescription for systematic adaptiveness