

The Responsive Organization

*"If the rate of change on the outside exceeds the rate of change on the inside, the end is near."
- Jack Welch*

"The rate of change external to each of our organisations is now so great that no organisation can ensure it is changing faster than the external system. Global interconnectedness, the rapid speed of ideas in a digital economy & new means of working and collaborating means that change will only continue to accelerate."

<http://simonterry.tumblr.com/post/55833449799/we-are-all-dead>

Preamble

As the flow of information increases, companies are gaining competitive advantages by shifting their focus from efficiency to their ability to learn and respond rapidly to new information. Companies today are realizing that adaptability and iteration speed are paramount, necessitating a fundamental rethinking of corporate structures and information systems. Previous organizational strategies were designed for job functions that were mostly routine and static. Hierarchical systems of command and control allowed senior leadership to drive efficiency and predictability but at the expense of adaptability, free information flow, and rapid response. Leading companies are now restructuring for greater adaptability and iteration speed.

***The Responsive Organization** is built to learn and respond rapidly by optimizing for the open flow of information; encouraging experimentation and learning on rapid cycles; and organizing as a network of employees, customers, and partners motivated by shared purpose.*

The Shift

A number of fundamental shifts in corporate structures and information systems are required to take advantage of the increased speed of information.

From	To
Efficiency	Responsiveness
Hierarchies	Networks
Controlling	Empowering
Extrinsic Rewards	Intrinsic Motivation
Office & Office Hours	Anywhere & Anytime
Customers & Partners	Community

From Efficiency to Responsiveness

Historically, competitive advantages came from optimizing for efficiency and labor productivity of standardized product, with companies such as Walmart and Ford being common examples. As the flow of information increases, the competitive advantage is held by the organization that can react the fastest to new information. Companies achieve increased responsiveness by reducing the friction of information flow, increasing their iteration rate, decreasing their cost of failure, and optimizing their structures for adaptability.

From Hierarchies to Networks

Organizational hierarchies were optimized for efficiency and predictability. They centralized authority to eliminate duplication of responsibilities, but at the expense of responsiveness. Organizing into networks, rather than hierarchies, reduces coordination overhead that slows down execution and thus increases the ability to make and test decisions. A robustly networked organization improves information sharing, which in turn enhances information quality, context, and alignment through increased transparency. The open flow of information in an organization gives those empowered individuals maximum context and connections with which to make decisions and provides greater accountability through transparency.

Controlling to Empowering (Routine to Non-routine work)

As information flows faster, the pace of change is accelerating. Job descriptions, organizational structures, budgets, and processes are becoming obsolete faster than they can be updated.

Since 1975, the number of jobs requiring non-routine work has increased by 50% (from 40% to 60%). These trends are leading to increased pressure to exchange bureaucracy for trust - empowering more of the workforce to act autonomously, instead of escalating to a central authority which creates bottlenecks and slows decision making. The need for rapid, autonomous decision-making changes the role of management from managing tasks to empowering individuals. The quickest response time occurs when a person learning new information can make high-quality decisions and act immediately, regardless of their position in the org chart.

Extrinsic Rewards to Intrinsic Motivation

Organizations have historically used performance targets and rewards to motivate employee behavior toward predictable business outcomes. As adaptability and rapid iteration become key drivers of business performance, organizations are recognizing that targets often discourage experimentation, discourage failure, and limit adaptability. As information flows faster, targets become obsolete and can become counter-productive before leaders can update them. In order to motivate the right behavior, employees must be aligned on common objectives, be encouraged to experiment, and be provided an environment in which they gain autonomy, mastery and purpose. These factors help make organizations more adaptable and positively impact employee engagement. Organizations in the top decile of employee engagement outperform their peers by 147 percent in earnings per share, and have 90 percent better growth trend than their competition.

Office Hours TO Anywhere, Anytime

Until recently, workers needed to regularly be in the office during business hours to get their jobs done, due to limited collaboration technology, lack of access from outside the corporate firewall, and reluctance on the part of management to give up the illusion of control over their workers. Companies are increasingly taking advantage of advances in technology which enable collaboration without being collocated and they are becoming increasingly comfortable with employees working more flexible schedules. According to a Tower and Watson survey, almost half of all global work is now happening in non-traditional arrangements. The ability to connect with anyone from anywhere at any time increases the speed at which information from anyone in the organization can be shared and acted upon.

From Customers & Suppliers TO Community

Historically, customers and partners were treated as separate, independent entities, by separate, independent parts of the organization. Additionally, the flow of information amongst customers and amongst partners was slow, and thus sentiment and relationships could be largely controlled by marketing, sales, and partner relationship teams. These factors kept the

feedback channel narrow and on a long cycle time. Today, technology has empowered customers and partners to communicate and collaborate as networks, with more rapid information flow than companies can control. Organizations are recognizing that it takes a network to serve a network, and to treat themselves, their partners, and customers as parts of the same organization. This broader network enables access to better information, faster feedback, and collaboration beyond the traditional company boundary.

Fundamental Challenges with the Shift

These trends...

Mean	Do not mean
Participation	Consensus
Decentralized networks	Flat
Transparency	Nothing is private
Anywhere & Anytime	No value in in-person Slacking off at home
Experimentation, some failures are okay	Completely unpredictable results
Decreasing cycle time	Lack of long term point of view
Adaptability	Lack of Planning
Empowerment	Lack of Leadership
Intrinsic motivation	Communism. Ignoring business objectives