DRIVING TOWARD CONTINUOUS CHANGE
A LEADERSHIP ROADMAP

ARE YOU A SENSE-AND-RESPOND ORGANIZATION? SHOULD YOU BE?

If your customers' needs are changing faster than your company's ability or need to respond to them, then you need to become more adaptive. If you answer "no" to one or more of the following questions, you should strongly consider redesigning all or part of your company into a sense-and-respond organization.

? Is the gap between what your customers need and what you can provide steadily decreasing?

? Is your company's product lifecycle faster than the product lifecycle of your best rival?

? Can your company change its business processes more quickly than your customers' needs and competitors' capabilities are changing?

GEAR UP FOR CHANGE

BEWARE OF BROKEN COMMITMENTS
CAUTION

MARKET INPUT
CUSTOMERS' DATA, BUSINESS NEWS, EMBEDDED SENSORS, MARKET RESEARCH AND INTELLIGENCE

DRIVE SMART!
CHECK YOUR DASHBOARD FREQUENTLY TO MAKE SENSE OF INCOMING DATA

CURVES AHEAD: WATCH FOR MISINTERPRETED COMMITMENTS

① Define your organization's *raison d'être*.

Your organization must answer to customers, investors, suppliers and intermediaries. Define which of them are the most important and what your organization owes to each. This is your company's reason for being. Design your organization around that value proposition and for that key constituent. Example: improving your customer's product development cycle time.

④ Provide a systematic way for employees to negotiate and manage their commitments to one another.

In a complex, fast-paced environment, it is important to give employees a way to keep track of the dynamically changing status of who owes what to whom, and for leaders to see where breakdowns occur. Creating or purchasing "commitment management" software can help people negotiate and track agreements, and ensure their actions are consistent with the organization's basic policies.

⑤ Continually adapt the context in which employees operate.

You have now created an initial state sense-and-respond organization, and you are ready to enter a continuous loop where leaders decide, based on constant market input, whether and when to change the organization's *raison d'être*, key policies and role design. As the leader of your organization, it's your job to make sure that organizational change is synchronized with external change. Continually cycle through the leader's "Adaptability Loop" (right) deciding if and when to change the people or the context in which they operate.

DON'T START UNTIL YOUR DESTINATION IS CLEAR

DANGER: PREPARE TO STOP IF ROLES ARE UNCLEAR
CAUTION

SET THE CONTEXT

③ Create a role and accountability design that spells out who owes what to whom.

Sense-and-respond designs specify the interactions between people and the roles they perform inside the organization. For example, if your purpose is to create a home, you might create a role for an architect and one for a general contractor, then specify what outcome each role owes the other. Each person filling a role must be accountable for results, good or bad, and negotiate how much time, power and resources they will have to execute their roles. Decide what your organization's key roles must be, whether each role should be optimized for efficiency or adaptability (the answer depends on whether the work to be done is stable and repetitive, or unpredictable), and decide what each person filling each role needs to negotiate and provide—and to whom. Last, put the right person in each role. For more on roles, see sidebar on "The Impact."

EXECUTE

⑥ Gain expertise in four key competencies.

Your people are now accountable for executing within the context you have provided. To help them become increasingly more adaptive, you will want them to get better at four key competencies: Sensing change in customer needs before rivals and even customers do; using information technology to accelerate the organization's ability to sense, interpret and respond to change (a.k.a. "managing by wire"); letting here-and-now customer needs, not schedules planned in advance, trigger or continuously reshape business processes; and designing the business as a system of roles and results.

② Set your organization's basic Rules of the Road.

What are the five to 10 key policies that, if violated, would jeopardize the existence of the organization. Declare these "thou-shalts" and "thou-shalt-nots" as the organization's "Governing Principles"—the basic policies employees need to follow to prevent the car from crashing.

DETOUR
CLARIFY AND CHANGE VAGUE OR OUTDATED POLICIES

THE ADAPTABILITY LOOP

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SENSE ▶

Deploy probes and gather a wide range of signals, from hard data to financial reports to conversations with customers, to spot impending change in your business environment, your customers' businesses and their customers' businesses. Internally, track breakdowns in your organization's performance, and violations of commitments and basic rules. Scan for capabilities firms in other industries have that you might find useful. All data should be viewable on PCs or handhelds.

INTERPRET ▼

Use a variety of technologies and techniques to understand the meaning of what your probes are sensing, and why commitments between roles break down. For example, scenario planning can help identify and prepare for ways the future may unfold, war-gaming helps leaders think through various responses to change, and collaborative decision-making helps leaders decide how to allocate limited resources in unpredictable environments. This information should be viewable on screen.

ACT ▲

As leader, publicly proclaim the new *raison d'être*, basic rules and roles, or—if no change is required at the time—affirm the old ones. When changing any roles, make sure the right people execute them and that their commitments to others within the organization are adjusted to reflect any new desired outcomes. Likewise, install or upgrade electronic information systems to display the updated commitments as well as any new "sense" and "interpret" information now required.

DECIDE ◀

Should your organization's *raison d'être*, policies or role and accountability design change? (For example, if commitments are repeatedly broken, if new capabilities aren't being incorporated, etc.) Frequently challenged policies might need to be relaxed, tightened or eliminated. The *raison d'être* might need changing if there are big or sudden shifts in the marketplace or in the values and preferences of your most important customers and other constituents.

THE ADAPTABILITY LOOP

THE IMPACT

Changes in Leadership
LEADERS WILL:

⊙ No longer control operations. Instead, th[ey] will establish context and decide who occu[pies] what roles.

⊙ Make customer value the point around w[hich] the entire organization is designed.

⊙ Outsource as many capabilities as possib[le to] better manage variation in demand.

Changes in Structure and Organization
COMPANIES MUST:

⊙ Compete on how well roles and account[abili]ties are designed and the quality of the pe[ople] who fulfill the roles they're assigned.

⊙ Grow by increasing the value produced f[or] their customers.

⊙ Radically change their basic concepts of [strate]gy, structure and governance.

Changes in the Workplace
LEADERS MUST:

⊙ Understand the workplace is no longer [a func]tional hierarchy.

⊙ Select the right candidates for roles, and [ ] negotiate agreements with them that spe[cify] the extent of their decision-making autho[rity,] the resources at their disposal, and constra[ints] such as deadlines, quality levels, etc.

⊙ Consider people with unusual aptitudes [for] improvisation for roles requiring the abilit[y to] adapt to unpredictable change. Conversely, [peo]ple who are strong at executing procedure[s] should be put in roles responsible for stab[le] processes.

⊙ Determine how granular to make the ro[les in] their design—any role can usually be bro[ken] down into subroles (for example, the gene[ral] contractor role might be divided into maso[ns,] electricians, plumbers, etc.).

⊙ Train people to communicate and negot[iate] honestly and effectively.

THE PAYOFF

After becoming a successful sense-and-resp[ond] organization, companies will be able to:

⊙ Manage unpredictable variations in dem[and]

⊙ Improve your company's cycle time by a[n order] of magnitude

⊙ Achieve an increase in revenue growth

⊙ Significantly increase organizational alig[n]ment, reducing internal transaction costs