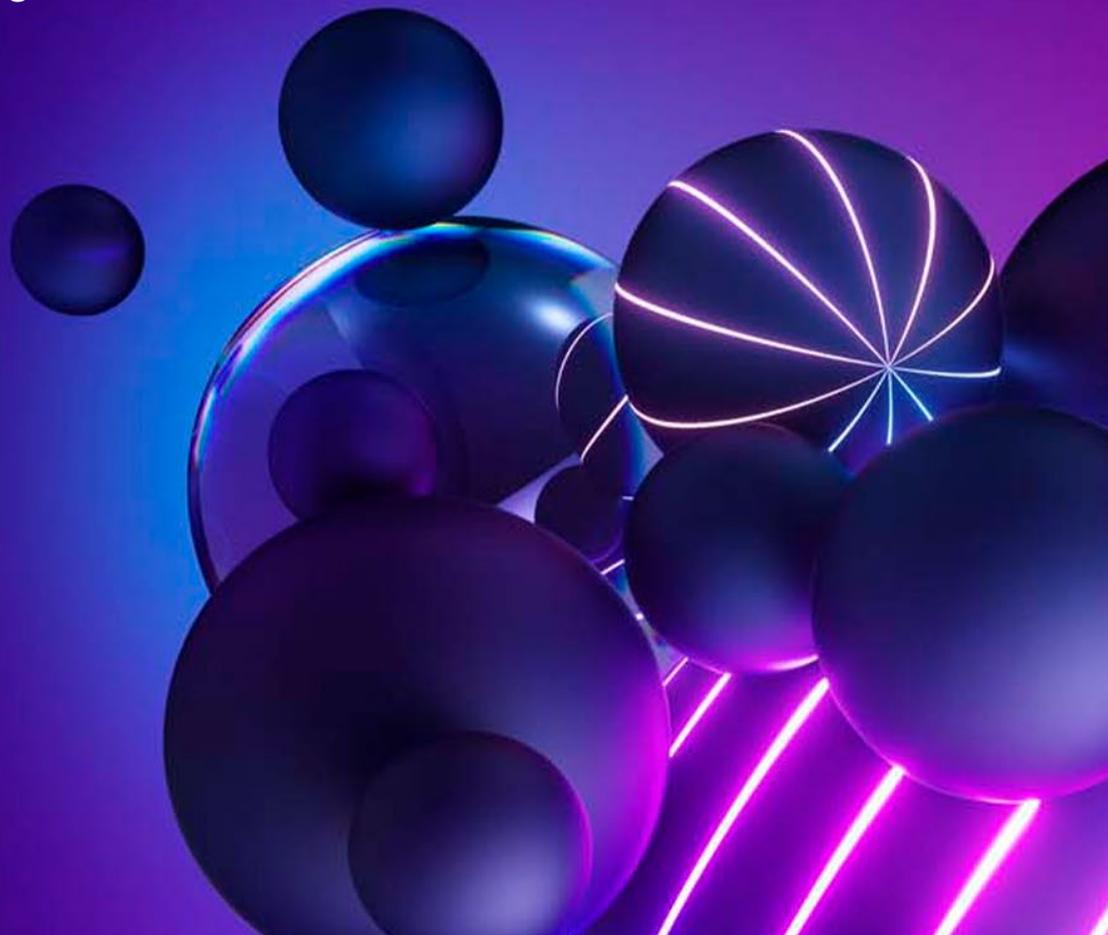




Building an adaptive organisation

**Operate successfully in changing
environments by reading and
reacting to market signals**



Introduction

If COVID-19 has demonstrated anything to business leaders, it is the challenge of trying to lead an organisation that is not adaptive and resilient through volatile times.

In an uncertain, complex and ambiguous world, businesses can no longer rely on traditional long-term strategic direction-setting in order to succeed and grow. Today, organisations need to be able to quickly identify emerging changes in the marketplace and respond with speed to take advantage of potential opportunities, or to counter rising threats.

Adaptive enterprises have the technical and organisational agility to do this and environments that foster resilience, deeper levels of engagement, motivation, collaboration and autonomy of workforces result in higher performance and higher staff retention.

Forrester research shows that, on average, adaptive firms grow 3.2 times their industries' average¹. MIT research suggests that agile firms grow revenue 37 per cent faster and generate 30 per cent more profits than non-agile firms². The key characteristics of adaptive and agile organisations are recognised to include:

- **Being purpose driven.** Adaptive firms place importance on holding a shared vision across all levels of the organisation, with a strong focus on delivering value to customers, and the wider stakeholder community. These organisations demonstrate engaged, motivated and high-performing cultures that respond quickly and with ease to change.
- **The capability to continually and quickly identify and seize opportunities.** An adaptable organisation will continually analyse and anticipate changes in its market to drive the evolution of its business. Using an adaptive mindset, these organisations place a great deal of value on situational awareness and invest in design and execution of digital and data initiatives to support the same. These companies also actively use insights to generate, test and refine new value-creating initiatives and operating models.
- **Flexible team structures, collaborative networks and distributed decision-making.** Adaptable organisations avoid unnecessary hierarchy and devolve governance and decision-making authority into lower levels of the organisation. Performance, innovation and responsiveness to change all increase when an organisation deploys self-organising, cross-functional teams and has a flexible organisation structure which can easily move people between roles and into rapidly morphing team structures.
- **Having servant leadership and an empowered workforce.** The role of servant leadership – the act of sharing power, putting the needs of the employees first and helping people develop and perform as highly as possible – is a critical aspect. Leaders who set context, remove barriers and involve team members in strategic decisions that affect them; thrive in adaptive organisational cultures. A successful adaptive organisation seeks to promote fairness, constructive conflict and psychological safety, which in turn creates an environment of trust, shared accountability, diversity of thought and risk-tolerance. The workforce in these firms are empowered to provide candid perspectives on the business environment, and how they believe it will impact the organisation.

1 <https://go.forrester.com/blogs/adaptive-enterprises-are-growing-at-3x-faster-than-competitors/>

2 Weill, P. MIT CIO Summit. MIT Sloan School of Management's Center for Information Systems Research (2006)

The importance of digital situational awareness in adaptive organisations

Adaptive organisations and situational awareness

The ability to seize opportunities when they arise – and sometimes as they are anticipated – is a key characteristic of an adaptive organisation.

To excel in these attributes, the adoption of technology to modernise and improve process coupled with new ways of thinking and working are essential. In pursuing the competitive edge that comes with being an adaptive organisation, a business is likely to find itself going through a series of digital evolutions rather than a singular transformation. While an evolution denotes a step-change in digital modernisation for some organisations, long and expensive transformations don't always deliver the anticipated return. Some organisations may be seeking to re-invent a way of doing business, the transformation risks for businesses with large and complex structures are very real.

An adaptive organisation doesn't subscribe to the caterpillar/butterfly tenet that underpins the promise of wholesale digital transformation. In fact, in a constantly evolving adaptive mindset, digital change can only be achieved in an evolutionary way as responses to changing market forces, anticipated or new business opportunities, and emerging risks and threats; can only be addressed if there is digital agility to pivot when and for what is needed. These businesses need the ability to constantly read market signals, customers, competitors, value chain and people in order to inform their strategies.

Digitised situational awareness is playing a role in driving adaptability within organisations. Situational awareness is not only about being aware of the current factors impacting an organisation, but being able to put those factors in the context of what is expected so one can understand what they mean, and it also involves being able to understand what is likely to occur in the near future.

To understand situational awareness in the context of modern business environments, one has to examine a key underlying tenet of situational awareness – the OODA loop.

The OODA loop, which is a model of human cognition developed by U.S. Air Force Colonel John Boyd, refers to the ability to Observe -> Orient -> Decide -> Act and as the term indicates, this process is continual with built in feedback loops. In a digitised sense, situational awareness represents a system (or systems) of insight using all available data relating to (or impacting) specific events that must be holistically understood and acted upon to effect the desired change.

An adaptive organisation that is situationally aware will cyclically seek to:



Observe: gather or collect data about all relevant signals within their internal and external environment.



Orient: assess or understand the data to make sense of what is happening.



Decide: determine the requisite response or best course of action using the insight gained and/or predicting or anticipating an outcome.



Act: respond based on the insight you have at hand and the course of action determined.

The digitisation of situational awareness is not a new concept and its relevance to modern business is fast evolving. Digitised situational awareness complements organisations that are seeking to be more agile. As an example, an agile team's alignment to the customer value stream, and its proximity to customer interactions, ensures that it can continually sense customer

behaviours and deliver insights to inform the next iteration of a company's market proposition.

Signals from data

Organisations are starting to use their increasing amounts of data to generate insights to inform its direction. However, the size and complexity of the data makes it hard to obtain accurate, actionable and timely information that can deliver a competitive advantage.

An adaptive organisation that is continually sensing and anticipating changes in its competitive environment needs insights that are trusted and timely. Leading organisations continually gather and transform data into easily consumed operational, customer, market or risk signals. These signals are the analytic building blocks that AI systems use to improve prediction accuracy in the context of anticipated outcomes to enhance situational awareness.

These signals also empower a workforce to respond quickly to changing business needs, identify new value streams and improve time to market. The near real-time and predictive transformation of internal and external data, combined with direct delivery of these insights to teams at the coal-face, amplifies the organisation's speed and success in the take-up of business opportunities or management of emerging threats and risks.

Flexible technology

To achieve the dynamic agility required, the supporting technology needs to reflect a similar level of digital agility. Not only must IT systems be accessible from anywhere and easy to use, they must also be able to be readily reconfigured, evolved, or replaced to meet emerging market challenges.

Digital technologies that offer the flexibility needed to support an adaptive organisation feature:

- Modular architecture so individual components can be extended or replaced as needed, rather than replacing the whole system.
- Open and interoperable systems that can be dedicated to selected functional areas that need to be evolved, while simultaneously working together as a whole.
- User intuitive interface so that relatively untrained staff can adopt and use these digital interfaces to maximise the efficiency and effectiveness of their activities.

Modular cloud-based services, when thoughtfully designed, can support these attributes, and comes with the added benefits of lower costs of ownership, lower internal support requirements, and quick and minimally disruptive implementation and change cycles.



Greater than the sum of its parts

Agile ways of working, servant leadership and flattened hierarchies, situational awareness, real-time signals and insights, and modern and flexible technology all complement and amplify the effect of each capability. An organisation taking this holistic approach will operate beyond what it could achieve by adopting only one or two these capabilities.



Barriers and approaches to becoming an adaptive organisation

While the advantages of becoming an adaptive organisation are clear, traditional organisations will face challenges when trying to make the transition.



Moving from hierarchical style leadership to servant style leadership, and devolving governance and decision-making into teams at the customer-facing level challenges prevalent models of leadership.



Not having the modular digital infrastructure meet emerging demand will make it difficult for an organisation to support an adaptive mindset and culture digitally.



Creating an agile work culture that embraces and fosters cross-team collaboration, ownership of outcomes and flow of information requires different behaviours, mindsets and skills that may be a challenge for larger, more complex businesses.

Any enterprise-wide transformation will need ongoing support and leadership from the executive level to be successful. However, in a risk-averse business environment that needs confirmation of success within each management cycle, a big bang approach to transformation may be challenging.

An alternative approach would be to apply adaptive principles to a single customer-facing function. New cross-functional and network-based teams aligned to specific customer outcomes could be designed and established within this business area, using agile methods.

At the same time, help the organisation to adopt the skills, structures and practices of servant leadership through training and mentoring. The sharing of leadership, governance and decision-making with new agile teams needs to be deliberately applied, with appropriate feedback loops and escalation paths.

Contact us

Guy Holland

Head of KPMG Digital Delta

T: +61 2 9335 7782

E: guyholland@kpmg.com.au

Prashant Khanna

Partner, KPMG Digital Delta

T: +61 3 9288 6463

E: prkhanna@kpmg.com.au

[KPMG.com.au](https://www.kpmg.com.au)

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