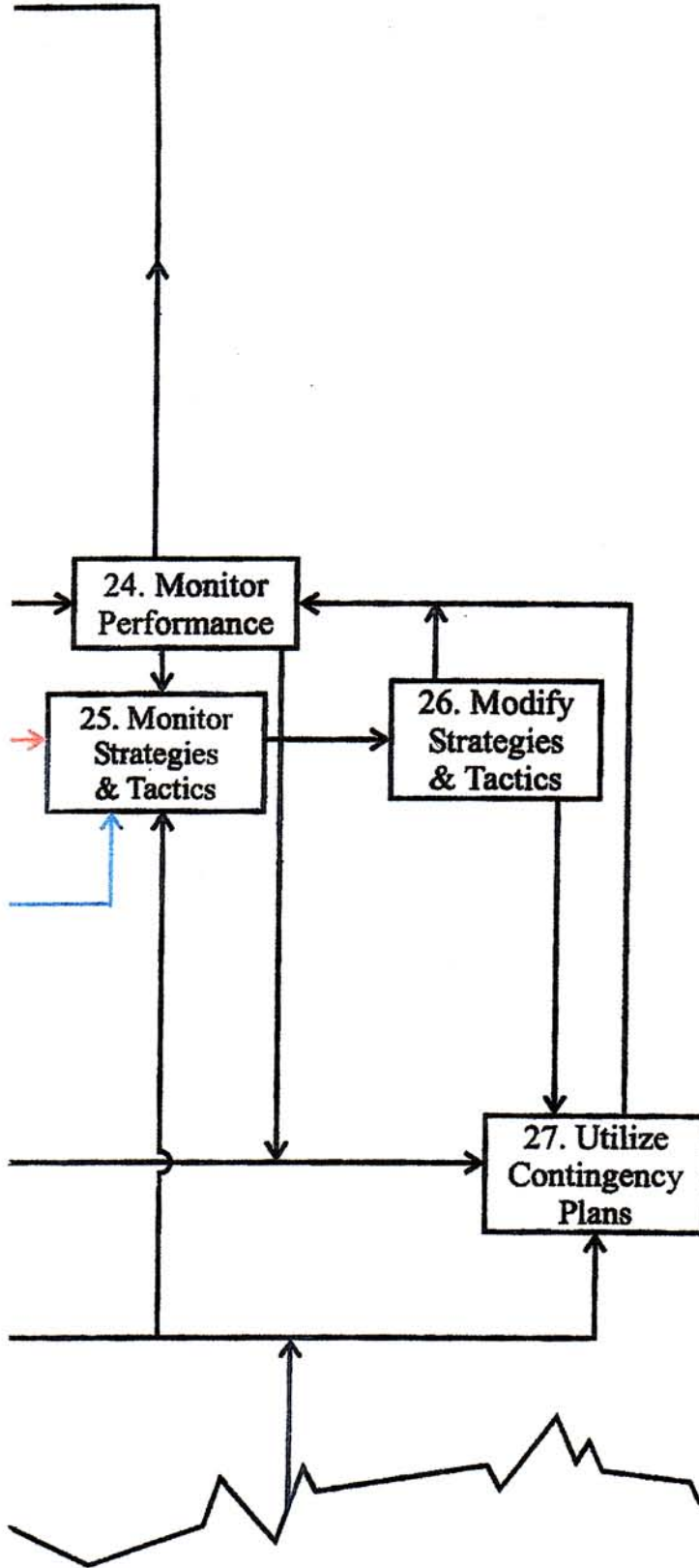


V. Adaptation



Stage V. Adaptation

“I gradually came to be appalled by how little is actually known about adaptivity, either by those who call for and create vast changes in our society, or by those who supposedly prepare us to cope with those changes.” Alvin Toffler.

Introduction

Alvin Toffler’s critical observation about “adaptivity” is as compelling, if not moreso, today as it was when he stated it more than three decades ago. Managements in North America and throughout the world are increasingly aware of the pressures on organizations to adapt to “relentless, multifaceted, unforgiving, blindingly rapid change”. Geary A. Rummier and Alan P. Brache, *Improving Performance – How to Manage the White Space on the Organization Chart*, San Francisco: Jossey-Bass Publishers, 1990, p.1. The challenges of change are many and varied: growing, formidable global competition, major technological developments, dwindling supplies of natural resources, accelerating consumption, especially in countries with enormous pent up demand, natural disasters, warfare, terrorism and an endless list of other dynamic, often unpredictable, forces and conditions in the ever-expanding and impacting environments of organizations.

Progressive managements have a long history of improving performance in their organizations. Numerous practices and processes have been developed to assist organizations in managing the dynamic forces and conditions that influence their strategic and tactical aims, plans, programs, activities and resource allocations. Historically, most of the attention to improving performance focussed on the production functions of an organization. The history of inventions is laden with advances intended to improve economic productivity – steam engine and other power sources, cotton ginny, assembly lines, ships, trains, trucks and planes, telephones, telecommunications systems, computers, *ad infinitum*. The history of management research and development is filled with innovative and successful efforts to improve production: Smith’s specialization of labor, Taylor’s scientific management, Ford’s assembly lines, Western Electric’s time and motion studies, aerospace’s systems, IBM’s computers, Microsoft’s software and numerous other industrial and commercial advances. The list is endless and growing.

Such advances are not without their shortcomings. Pundits point out that management often responds to pressures for improved performance by resorting to “spasmodic campaigns” such as

- developing and communicating a vision, business plan and/or strategy;
- training executives in leadership as opposed to management;
- automating operations;
- downsizing and other forms of cost cutting; and
- exhorting employees to strive for “excellence”, “innovation” and “entrepreneurial risk taking”. *Ibid.*

Noble intentions drive each of the actions listed here, and each of them can address a piece of the problem or opportunity. Therein, however, lies our concern. Managing to meet the challenge of change ... is a complex and complicated task. *Piecemeal approaches that are assumed to be **the** answer are as dangerous as no*

response at all.

Whether the concern is quality, customer focus, productivity, cycle time, or cost, the underlying issue is *performance*. *Ibid.*, p. 2.

Rummler and Brache go on to present an approach that examines performance in a systemic and comprehensive way and focusses on nine variables that management can use to improve performance. Their approach is considered in Activity 24, Monitor Performance.

Within the vast field of management, organization behavior is one of the disciplines that has emphasized the importance of change and developed concepts, theories, models and practical ways to adapt to and manage change. Significant contributions have been made in organization behavior to managing the issues and challenges of change, their determining factors, readiness, resistance and barriers to change, as well as change in management, administrative systems and organization structures. To some, organizations are viewed as adaptive processing systems. *Ibid.*, pp. 5-14.

In the field of strategic management, increasing attention is being directed to the impacts of and need for adaptation to change. That strategies commonly emerged was recognized in the 1980s. See, for example, Henry Mintzberg and J.A. Waters, "Of Strategies, Deliberate and Emergent", *Strategic Management Journal*, Issue 6, 1985, pp. 257-272. The strategic challenges posed by rapid changes have also been addressed. For example, please see Shona L. Brown and Kathleen M. Eisenhardt, *Competing on the Edge: Strategy as Structured Chaos*, Boston: Harvard Business School Press, 1998. Others have borrowed "chaos theory" from science and used it as a focus for adaptive management. See, for example, Tom Peters, *Thriving on Chaos – Handbook for a Management Revolution*, New York: Alfred A. Knopf, Inc., 1987. Tom Peters claims that there are two strategic ways to respond to the challenges in the era of change and unprecedented uncertainty. "One is frenzy: buy and sell businesses in the brave hope of staying in front of the growth industry curve." *Ibid.*, p. 4 He cites General Electric as an example. In a six year period, it acquired more than 325 businesses at a cost of over \$12 billion and sold more than 225 for \$8 billion in return.. The second strategy is paradoxical – meeting uncertainty by emphasizing a set of new basics:" including "enhanced responsiveness through greatly increased flexibility and continuous, short-cycle innovation and improvement aimed at creating new markets... ." *Ibid.* Further, he claims that business, especially corporations, need revolution in their organizations and strategies to meet the challenges of change.

While Mr. Peters does not define, discuss or explain "revolution", others do. Please see Gary Hamel, "Strategy as Revolution", *Harvard Business Review*, Vol. 74, Issue 4, July-August, 1996, pp. 69-82. Although the term revolution often has radical connotations, it is commonly defined in more moderate terms such as *any fundamental change or reversal of conditions*, such as the Industrial Revolution which occurred during most of a century in Britain, or even a *cyclical recurrence*. In reality, adaptation involves conditions requiring reasonably rapid evolution. It requires entrepreneurship and innovation, much of which is incremental in its progress.

"Change with the market or die" was the title of a provocative-sounding article about the Waste Management Corporation. Editors, *Fortune*, January 13, 1992, p. 62. In less than two decades, the company had grown from \$180 million-a-year garbage hauler to a \$7.4

billion-a-year environmental services company. In part, the growth was based on the company's purchases of landfill sites throughout the United States. During the growth period, attitudes toward landfills changed in North America. Even if an operator could get a permit for a new one, changing regulations and recycling efforts sharply reduced what could be put into it. As a consequence, CEO Dean Buntrock adapted the company's strategies to the evolving realities of its environment.

To managers, making such adaptations is a necessity. Oftentimes, such initiatives are gut-wrenching, laden with stress and anxiety and difficult to develop and implement. Seldom are they as much fun or exciting as observers depict them. Reading about the innovative discoveries, inventions and breakthroughs of our time is interesting and stimulating. Putting them into effect requires risking and, sometimes, losing major amounts of resources, including people's personal and family assets. Making adaptations often results in the loss of employment, incomes and well-being for employees and their dependents. It may involve the closure of plants, the loss of taxes to local government, the deterioration of an area and the growth of poverty, poor health and crime. But, organizations must adapt to changing sets of forces and conditions in their environment or else they will inevitably cease to exist.

Strategic adaptation emphasizes the roles that managers have in monitoring changes and modifying organizational strategies and tactics to better meet (or beat) environmental challenges. Warren Boeker, "Strategic change: the influence of managerial characteristics and organizational growth", *Academy of Management Journal*, February, 1997, volume 40, issue 1, p. 152. Because of the many forms of inertia in organizations, managers are constrained in their capabilities to adapt. The overall effect of organizational inertia is a tendency for strategy to be preserved or modified rather than changed radically. Managers typically modify tactics and strategies in evolutionary ways rather than change or even try to change them radically as the popular media and many case studies convey. However, the TSMP provides for radical changes being made at any stage in the process, including the utilization of contingency plans (Activity 27 following) when drastic action is necessary.

Years ago, adaptation was considered to be a "promising metaphor for strategic management. Balaji S. Chakravarthy, "Adaptation: A Promising Metaphor for Strategic Management", *Academy of Management Review*, January, 1982, volume 7, issue 1, p. 35. Professor Chakravarthy observed that strategic management was a process for ensuring the long-term growth and survival of an organization and was needed to cope with changes in the external environment as well as those resulting from internal dynamics. He claimed that the purpose of strategic management is to enable effective adaptation and outlined a framework that included: the state of adaptation, the process of adaptation and the adaptive ability of an organization. *Ibid.* Clearly, adaptation is an integral attribute of the TSMP. The adaptation stage is closely linked with the other stages and activities of the process. This stage is the ultimate one that leads into the next cycle of the "rolling" strategic process, i.e., at the end of each year, the subsequent years' aims, plans, programs and resources allocations are revised and another year of them is added. All the while, managers are monitoring the environments, external and internal, to determine what forces and conditions are impacting on the organization, its programs, activities and resource allocations.

Nature of adaptation

To make suitable or more suitable by changing to conform to new or evolving circumstances or adjusting to changing forces and conditions are common definitions of adaptation. In management, strategic or otherwise, changes are common in the environment of the organization. Therefore, managers have to be prepared in their values, attitudes, decision making criteria and capabilities to make changes that will benefit, more than it will cost the organization and its stakeholders. Clearly, managers must be discerning when they are considering what changes to which they must adapt their organizations, strategies and tactics.

Impact changes are the ones to focus on because they have significant influence(s) on vital aspects of the organization. Impact changes are ones that provide opportunities as well as expose an organization's vulnerabilities. In business, the marketing function has several areas of competitive vulnerability, e.g., pricing anomalies, product obsolescence, ineffective advertising and inefficient channels of distribution. In public organizations, the major vulnerability is the effectiveness (or ineffectiveness) of the services provided. In industrialized societies, much of the vulnerability is perceptual; so much so that to many decision makers "perception is reality". So, strategic managers have to adapt their organizations to images or impressions as well as actual influences. After introducing its "new" Coke, Coca Cola had to bring back its "old" Coke as "classic Coke". After years of significant financial losses, Steve Jobs returned as CEO of Apple Computer, Lee Iacocca took over as CEO of the Chrysler Corporation, Thomas Stephens became CEO of MacMillan Bloedel Company and the list of compelling change situations grows weekly, if not more frequently.

The approaches taken to adapting are as varied as the people who think about and make them. "How organizational change is managed ... is a function of the point of view taken regarding the phenomenon of change." Clearly, different points of view, eg, logic, dialectics and trialectics, give different understandings of the process. Jeffrey D. Ford and Laurie W. Ford, "Logics of identity, contradiction and attraction in change", *Academy of Management Review*, October, 1994, volume 19, issue 4, p. 756. For the manager, making operational and business unit adaptations are determined mainly by the relatively limited situations they encounter. If an organization is losing money, then management needs to find ways to increase revenues, cut costs or both. There is nothing esoteric about those types of adaptations. When senior management faces strategic adaptations, the complexity, difficulty, uncertainty, risk and consequences often increase dramatically. The scope of factors considered, their numerous relationships and combinations of consequences raise many issues and concerns about the decisions to make and the actions to take. How the adaptations are managed is vital to their effectiveness, efficiency and economical consequences.

During Bill Clinton's first term as President of the United States, he endeavored to change the nation's health care system, in part to accommodate the 30 million Americans who did not qualify for such care. He gave his wife the authority and responsibility to change the national system. Lacking an adaptive strategy, the Clintons' efforts to re-structure the system failed miserably. Following Japan's severe recession of 1996-7,

several initiatives by its government failed to improve economic conditions in that country, its trading partners, their industrial sectors, individual companies and their shareholders. The "ripple effects" were more like a sea storm. Similarly, South Korea and its trading partners suffered significant adverse economic consequences as a result of rapidly losing its cheap labor advantage. South Korean companies were confronted with the challenge of shifting their strategies from original equipment manufacturers (OEMs) to their own brand exporters. A key issue was what kinds of adaptive strategies were needed for OEMs to become brand exporters.

The Adaptation Stage of the TSMP is comprised of the on-going search for intelligence and information (Activity 2) and four other Activities. Adaptations must not be made haphazardly. They must be made in line with the organization's purposes, aims, prospective and evolving situations and how it is performing in relation to such essential factors. Consequently, management must monitor and analyze the vital measures of the organization's performance. With contemporary technology, such monitoring and measuring is performed and communicated to decision makers in highly precise and time-sensitive ways. Where the performance is meeting or exceeding specified standards, management typically is inclined to maintain the status quo. Other managers will be anticipating changes and, at key decision points, increase or decrease performance targets.

Monitoring the organization's strategies and tactics flows from the two main streams of activities in the TSMP as well as from monitoring performance and the search for intelligence and information. While performance deviations, either positive or negative, are common "triggers" or "alerts" for monitoring strategies and tactics, managers at all levels in an organization commonly monitor their progress on an on-going basis so that they can anticipate and be prepared for making necessary changes. Evaluations and analyses are inherent in this monitoring, commonly in conjunction with performance monitoring.

The continuing monitoring of performance, strategies and tactics will lead, at some points in time, to the modification of the organization's strategic and tactical plans, programs, activities and resource allocations. Changing forces and conditions internal and external to the organization will necessitate such modifications. This Activity is the crucial part of adaptation because it requires choices and decisions which will change the direction, the plans, programs, activities and resource allocations and the performance of the organization. This activity is commonly laden with high levels of decision making, risks, costs and success or failure. The responsibility and authority for modifying strategies and, to a lesser extent, tactics is one justifiable reason for "paying big bucks" to managers, especially at the senior levels of the organization.

Utilizing contingency plans is the ultimate activity in the TSMP before it is "rolled forward" into another cycle. The use of contingency plans tends to be actions of last resort for management and the organization. They are used after modifications of strategies and tactics have been made. Contingency plans are implemented during conditions of extreme urgency or emergency. During warfare, natural disasters and for a

growing variety of situations during the past decade, the use of contingency plans, in part or in total, has become increasingly common. As discussed in formulating contingency plans (Activity 13), a marked contrast is evident in the performance of organizations that prepared and used and those which did not prepare and use contingency plans in times of urgency or emergency.