



THE SECRET SAUCE OF HIGHLY ADAPTIVE LEADERSHIP TEAMS

Make your team more adaptive

1. Attend to the basics first. Are all or most people in your team able to contribute leadership, according to context? Do you have a truly diverse team of capable people? Does your team have a clear charter - the test, is it written? Finally, are there high levels of mutual trust?
2. Ensure your team lives the 'one voice' notion. It's vital to adaptive success. It's probably also a good indicator of levels of mutual trust in the team. Disunity impacts on other dimensions required to achieve adaptive leadership.
3. Examine whether you're empowering your people to deliver desired outcomes. As far as possible, let them make their own plans for delivery of accountabilities. Highly adaptive organisations tend to establish guiding principles rather than rigid rules or procedures (freedom within a framework). Management believes people usually exercise ingenuity and look for ways forward, acting in good faith.
4. Consider using an 'X-Team' approach. Though you might have a small permanent core of members, is it possible to increase team exposure and diversity through a larger group of less permanent members? They participate on an 'as needed' basis.

Solid evidence for adaptive leadership advantage

The emergent knowledge economy demands new ways of organising and new ways of looking at leadership and collaboration. UGM has been advocating this position for years now, using circumstantial evidence to support our position. We also regularly highlight the strong links between organisational health and organisational performance.

A BCG study supports our position, reporting that adaptive companies significantly outperform less adaptive companies during turbulence. While the GFC catastrophe may have passed into history, the world has transitioned into times that will be persistently volatile. Only level will vary. So, the research spotlights that companies need to be adaptive to survive and thrive.

The first part of the research study used growth in market capitalisation, spanning a 5-year period, as the performance indicator. Using their Adaptive Advantage Index (AAI), researchers assessed 2,127 US public companies. And the 0.91 correlation they found between the Index and market cap growth is pretty impressive!

Companies scoring 80%-90% on the AAI showed an average 20% growth in market cap over the 6 year period. In contrast, companies scoring 0 on the AAI saw an average drop in market cap of around 15%. More important, excepting a slight anomaly at the 40% level, only those companies scoring 60% or above on the AAI actually realised market cap growth.

Adaptive leadership teams also most successful

The second part of the study looked specifically at adaptive behaviours in top teams. Researchers used a small sample of 9 successful companies, again dividing these into top-tier, middle-tier and bottom-tier performers. Financial performance was based on averaging net-income over a five year period. Companies were a mix of MNCs and single-country organisations and included companies from developed and developing markets.

The study involved an extensive deep-dive into aspects of the senior leadership teams of these companies, all intact for the 5 year review period. In all, a representative sample of 93 executives was interviewed and surveyed. As in the first part of the study, adaptiveness was strongly associated with performance. The most adaptive senior teams came from the top-tier performers. Ultimately then, the most adaptive senior leadership teams were running the most successful adaptive companies.

Teamwork essentials of high performing senior teams

As you'd expect, adaptive teams demonstrate the foundational principles of effective teamwork. First,

leadership is distributed among the team. Key to this is the CEO who must be willing to share leadership in the first place. Next, the team is a mix of capable people with diverse strategic positions and discipline backgrounds. The team also has a clear charter, which clarifies purpose and goals, roles, ground rules and accountabilities. Finally, the team displays high levels of mutual trust.

The research found that all teams in the study depended heavily on these four basic principles. Nevertheless, even in this select, high-performing sample, top-tier performers averaged 20-25% higher on the four basic dimensions.

The 'secret sauce' of highly adaptive senior teams

The research also identified five additional characteristics of successful adaptive leadership teams. To reinforce the value of these characteristics, top performers showed that, on average, they used them to a far greater extent than other teams in the study. We point out that four of these five dimensions help teams deal with the emerging knowledge economy, and complexity in particular.

Adaptive teams have *one voice*. This means that members share clarity of purpose and are closely aligned with the organisation's values and priorities. Diverse individual differences are respected, even though there is unified messaging once the team finalises its decisions.

Sense-and-respond is the second attribute of highly adaptive teams. Recognising that their external environment (the source and context of business) is volatile, adaptive teams are extremely sensitive to their continually changing environments. They employ a variety of techniques to exploit even small windows of opportunity. Less adaptive companies may never even detect these, let alone respond.

Thirdly, there is *information processing*. Not only are adaptive teams collecting the right data, but they are synthesising meaning from it. Research notes that, 'information and debate flow freely inside and outside' these teams.

Fourth, they embrace the notion of *freedom within a framework*. Targets are set and teams responsible for outcomes then work out how they'll achieve them. Experimentation (and risk taking) are encouraged and rewarded. Some failure is acceptable.

Finally, adaptive teams display *boundary fluidity*. Members ably and willingly move vertically or horizontally to where they can have the most impact.

Although all of the attributes mentioned are essential for adaptive top teams, there is no doubting that they would also add great value to teams generally. How can you use them to boost your own team's performance?