Leadership in the New Reality

William Chiat

The new reality in which local agencies operate is opening innovative doors for efficient service delivery, quality customer service and collaboration and sharing resources within and amongst agencies. Conversations are occurring in public agencies across the country which were unheard five years ago.

Through the recession beginning in 2007 local agencies have seen their revenues and staff shrink, yet demand for most services remained (planning may be the one exception). Unlike most past recessions, however, a recovery from this recession is not expected to result in staffing levels or revenues returning to pre-2007 levels. This is the new reality: providing local services in new paradigms.

Despite cities, counties and districts operating with fewer resources, they are finding innovative strategies for success in the new reality. These groundbreaking changes help bring financial and service-level stability – even improvements – to local agencies, but they also require leadership skills that move beyond solving technical problems. The new reality is also new leadership territory. The leadership skills and experiences from the past are helpful, but many of the challenges now faced – particularly in service delivery – requires adaptive solutions and an adaptive environment. It requires letting go of familiar ideas and practices. We have not been here before.

Technical Problems versus Adaptive Challenges

People turn to their leaders to find solutions to the challenges faced. Ron Heifetz, a former emergency room doctor, uses the analogy of a broken bone. We go to the hospital with a broken bone, and the doctor knows exactly the steps to take to solve the problem. It generally requires little change or effort on the part of the patient (with the exception of some pain and a cast for a while) to solve the problem. The same is true for local agencies. There have been financial crises in the past, and management and the governing board had technical solutions to fix the problem: freeze hiring, short term borrowing, eliminate vacant positions, cut travel and so on. All solved the problem with limited requirements for significant change by the people involved.

Heifetz, Grashow and Linsky refer to these as the technical problems facing the organization. To a great extent many agencies continued through the current economic crisis implementing further technical solutions – positions have been downsized, services reduced, costs cut, reorganizations made. While difficult decisions to make, the fiscal and operations problems are being resolved through the application of management expertise and through the organization’s current structures, procedures and ways of doing things. But sustainable changes organizations will need to thrive in this new era for local government – to become a viable, high performing and financially sustainable organizations – require more than technical solutions.

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1 From: The Practice of Adaptive Leadership: Tools and tactics for changing your organization and the world.

Leadership in County Government

Not Resistance to Change, but to Loss

Organizations are much like organisms; they tend to prefer the current situation to trying something new where the consequences are unpredictable and likely to involve losses for key parties. It’s not necessarily that organizations or people resist change. It’s when change involves real or potential loss, people hold on to what they have and resist the change. That has stymied many technical solutions, or worse, left organizations stuck in a storming phase of change.

Local governments are struggling with how to reform themselves. Many are beginning to recognize there is a fundamental shift required to break from the past. The emerging interest in shared services, facilities, resources and even ‘functional consolidations’ may on the one hand be a technical solution, but for these to be successful and sustainable they will require a different approach to leadership to address the adaptive challenges.

Heifetz et. al. describes adaptive challenges as those that can only be addressed through changes in people’s priorities, beliefs, habits and loyalties. Making progress with these challenges requires going beyond any management expertise to mobilizing discovery, shedding certain entrenched ways, tolerating losses, and generating the new capacity amongst agency employees and governing boards to thrive anew. Continuing Heifetz’s’ earlier hospital analogy, a patient who suffered a heart attack or discovered they have high blood pressure cannot simply be an observer as the doctor makes technical solutions. Yes, there may be technical surgery or drug solutions, but the adaptive challenge for the patient and his or her family is a fundamental change in their behavior. This is not something the doctor can do, but requires the patient to be involved in the change. These changes require letting go of familiar habits and behavior. And it’s not always successful.

It is the same for organizations. Preparing an organization for the adaptive challenges it is now facing may be the most difficult and important next step. It is the adaptive elements of changing the ways an organization does business that most threaten the success of the technical solutions. Moving both organizations and their governing boards to shared decision making, shared services, or shared facilities requires letting go of the familiar and addressing adaptive challenges.

Dispatch Center Case Study

I discovered this a number of years ago when I helped a county move to computer-aided dispatch for sheriff, fire and ambulance. Everyone involved – dispatchers, officers, fire fighters, decision makers – agreed the old card and radio system was inefficient and dated. Everyone agreed a new computer-based system was needed. The technical solutions (technology, grant funding, training) were relatively easy to identify and after some work implemented. What was not understood were the adaptive challenges, particularly for the dispatchers themselves. It was assumed training and application of management expertise would be sufficient to move dispatchers to the new system. It wasn’t. Not by a long shot and as a result the county lost some of its best dispatchers. What was missed?

What we did not understand was the need to recognize the losses placed on the dispatchers and help them work through those, while at the same time helping to conserve all the good that we wanted to carry through to the new system. What we came to understand was that despite the antiquity of the old system, the dispatchers had pride in their work, had created “work-around” processes which made them efficient, and most importantly had confidence they knew exactly what to do every time the phone rang. All of those things were being taken away as the team moved to the new system. In exit interviews with the dispatchers who left, the number one reason is
that they feared someone would die because they would make an error the new system.

**Start the Conversation**

The adaptive challenges of implementing new paradigms in municipal service delivery are considerable. Addressing them begins with engaging staff and elected officials in a conversation of what personal and organizational elements need to be left behind, should be retained, or need to be created. Often this includes a conversation about the losses of authority and control created by shared decision making regarding those services or facilities. This is hard work, as Heifetz states, “… because it challenges individuals’ and organizations’ investments in relationships, competence, and identity. It requires a modification of the stories they have been telling themselves and the rest of the world about what they believe in, stand for and represent.”

![Image of a woman with a computer]

**Adaptive Leadership Practices**

Three leadership practices can help. 1) Manage yourself through the process. Understand your own losses. Step away from the fray and take an objective look at what is happening around you. Manage your reactions to the resistance by others and recognize it may be resistance to loss not the change. Take care of yourself. 2) Help people around you tolerate the discomfort they feel. Recognize the losses and the grief process people are experiencing. Remind them of what’s being carried forward. 3) Keep an eye on the shared purpose and outcomes. It provides guidance, substance and inspiration when success looks bleak.

Building the individual and organizational capacities to address adaptive challenges requires the leadership of those who can see past the symptoms of resistance to the shared goals. To help competent work forces and governing boards undergo adaptive change and examine some of the tough questions: what to conserve, what to discard, and how to leverage the strengths and innovation to create the organizational adaptability to thrive in changing environments. It is not possible to enjoy the rewards of achieving the shared purpose and goals without enduring the pain as well. Perseverance and an optimistic focus on the outcomes make the pain worthwhile. Remember the ultimate good you provide your community by assuring sustainable and effective public services in a new era.

The leadership required to move organizations to deal with adaptive challenges is difficult, and at times risky, work. You will be challenging individuals' and organizations' investments in relationships, competence and identity. Be prepared to help people identify and acknowledge the losses as well as the ideals being carried into the future. Expect a period of disturbance – conflict, frustration, fear of losing something dear. Some will look for opportunity to resist the loss, by reneging on a shared services agreement, for example.

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Lessons in the Art of Leadership

Leadership in Uncertain Times

Leadership is a Behavior—an activity—not a person.

Know Thyself. Each of us has a different set of leadership capacities. Know enough about yourself to know what works and what gets in the way.

Leadership has a harder job than just choosing sides. It must bring sides together.

Jesse Jackson

Get on the Balcony. Watch what’s happening while it’s happening. Look at things from a distance.

Find Partners. Build relationships with people who are allies on your issue, who care about the outcomes. Make sure there’s enough people on your side.

Be Buoyant. Often people care more about your response to an issue than the issue itself.

Distinguish Yourself from Your Role. Criticism is directed at what you represent, not you. Keep your focus on the issues.

Listen to Others. Understand the song behind the words. Listen to what is being said—watch their behavior.

Trust Others. If you think you’re absolutely right—think again. Trust the interpretation and perception of others.

Read the Landscape. Watch the reactions. When people push back something real is going on.

Resist Temptation. To solve others’ problems; to advocate your solution; to take a side; to take the issue off their shoulders. Help people manage their own problem-solving.

Pace Challenges. The ambiguity and uncertainty in facing difficult issues is stressful. Allow time for changes to be addressed; allow people opportunity to grow with the challenges.

Stay Focused. Don’t lose focus on the issues. Look for root causes. Avoid distractions.

Control Your Needs. For recognition; to feel worthwhile; to be important; to feel accomplishment. People will use your needs to divert you from important tasks.

The significant problems we face today cannot be solved at the same level of thinking we were at when we created them.

Albert Einstein

Acknowledge Peoples’ Losses. Any change results in a loss—even good changes. Share the loss with them.

Believe. In yourself. What’s important is not the specific issue, but that you have a purpose to what you do and why you do it. Every day; every moment.
Immanuel Kant once said, "Man is distinguished above all animals by his self-consciousness...". Applying this philosophical thought in the workplace, more specifically to leadership, one can use self-reflection as an active and continuing thought process, focusing on self-awareness and constant evaluation of how your values match (or don’t) your actions; whether you are **Modeling the Way**.

To effectively practice leadership, it is vital to make time to “get up on the balcony” and observe what is happening to you, around you, and to reflect on your actions (or inaction), emotions, decisions and behaviors.

Self-reflection is critical in successfully exercising leadership competencies.

**Self-Knowledge**
Self-awareness incorporates the ability to read and comprehend your emotions and responses, and their effect on others. Self-reflection helps to:

- Develop a keen sense of your strengths as well as limits
- Foster a clearer understanding of your capabilities

**A Definition of Self-Reflection**
- The act of reflecting or the state of being reflected.
- An image; representation; counterpart.
- A fixing of the thoughts on something; careful consideration.
- A thought occurring in consideration or mediation.
- An unfavorable remark or observation.

**Self-Management**
Through clarity of your strengths and limits you are able to hone your ability to self-manage. This includes emotional self-control and the ability to adapt to changes that arise in the workplace, as well as deal with complex, and ambiguous situations without taking it personal. You better understand your ‘hot buttons’ and how they affect your reactions to others.

**Personal Literacy and Integrity**
Consistency, transparency, exhibiting honesty and integrity, lead to developing trust with colleagues, staff and stakeholders. In turn which establishes your credibility. Consequently, you can become more engaged, passionate and take on a positive outlook and see opportunities whereas before you may have seen only obstacles.

**Relationship Dexterity**
Leadership requires the capacity to build and maintain a wide range of relationships. With self-reflection you begin to observe how well you display understanding, relate to others and their view, and show concern for their position. Not only do you better connect with others but you expand your perceptive read on the climate of the organization: understanding why decisions are made; actions were taken, an awareness of organizational dynamics around you. In other words, hearing both the words AND the music of the songs around you.

These benefits come from making the time to reflect. More specifically, it is about being...
honest with yourself—and then acting on that honesty, whether it entails apologizing, communicating more effectively with others, recognizing you may be acting on personal irritation instead of actual behavior when in conflict with an employee, or that you could increase your work in encouraging the heart. You begin to see your contributions to the success—or the mess—and what you can do to expand your leadership capacities.

Make the time every day to find a quiet place for 15 minutes to get up on the balcony. Other techniques can enhance the value of self-reflection: journaling, exercise, inspirational reading and learning, and coaching to name a few. Striving to create a healthy work environment is every supervisor’s responsibility, but you must start with yourself first.

Some Questions for Self-Reflection

1. Think about a critical decision you made. How did you make that decision? What factors did you consider? How do you know that you used good data? Whom did you involve? How did you involve them? What have been the consequences?

2. Are you developing your subordinates? Did you involve them in decisions that will enable their development? Did you coach or mentor them? Is there someone on your staff who’s ripe for a challenging project? Are you preparing someone on your team to take over your job?

3. How did you fill your day? Was your time spent on busywork or key priorities? Did you attend meetings by habit or necessity? Could someone else go?

4. How did you respond to that employee today? Did you hear what she was saying, or did you dismiss her comments because of who she is? What non-verbal signals did you send? Did you miss an important point?

5. Did you let staff know how much you appreciated their work on a specific project today? Why not?

6. Did you listen with comprehension ... or were you thinking about something else?

7. What was going on during the meeting today? There seemed to be some undercurrents and surprising comments. What did they mean? What else might be going on? What was unsaid?

What are some other questions that would be of value to you in self-reflection?

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What are some other questions that would be of value to you in self-reflection?
10 Habits of Highly Effective Boards of Supervisors

1. Think and Act Strategically
   - Govern by creating policy focused on the ends, rather than becoming immersed in the means

2. Demonstrate the Elements of Teamwork
   - Works collectively to deliberate as many and act as one

3. Diagnose Situations and Practice Effective Decision Making
   - Build capacities to interpret circumstances and maintain strong interpersonal relationships, apply data and knowledge, and act adaptively in complex decisions

4. Shared Definition of Roles and Relationships
   - Clear understanding of the role and responsibilities of each Board member, the Board as a whole, the CEO/CAO and the staff

5. Establish and Abide by Board—Staff Partnership
   - Board establishes ends and sets limits to staff means and empowers them; staff acts on means within set limits to achieve ends; Board evaluates results produced

6. Make Periodic Evaluations of Strategy and Policy Implementation
   - Regularly review and receive feedback on strategy, vision, priorities, and changing circumstances from community and staff

7. Use Board Time and Energy Wisely
   - Use the very limited time together to best benefit their community; put Board time in the things that matter.

8. Live By Clear Rules and Procedures for Governance at Meetings
   - Meetings are conducted respectfully and productively by adherence to agreed-upon norms, rules and/or procedures designed to enhance decision making and community involvement

9. Consider Public Value of All Owners
   - Board acts in trusteeship for all owners in the county, not just the ones who put them in office

10. Pay Attention to Themselves
    - Practice continuous individual and group personal development and leadership practice

Based on the work of Carl H. Neu, Jr. in 10 Habits of Highly Effective Councils, Public Management, November 1997
Building Blocks of Effective Governance

1. Clear Sense and Unity of Purpose
2. Common Definition of Roles and Relationships
3. Culture of Team Success Based on Integrity, Trust and Respect
4. Structure and Process Focused on Ends

Sense and Unity of Purpose

A common focus on the difference the organization makes in the lives of its stakeholders. The core values and key goals the council members hold in common about the community and the services the organization provides. The clear sense and unity of purpose helps board members transcend their differences to fulfill a greater purpose.

The Reality

♦ You were appointed as an individual, but serve as a member of a team.
♦ You don’t have the authority as an individual to fix the problems you want to fix.
♦ Your success as a board member and organization is inextricably tied to the success of your board and your staff.

Roles and Relationships

The Board’s responsibility for itself: A common understanding of how the individuals will work together to accomplish the unity of purpose. Boards should have a well-defined definition of their function. The performance of that role and the relationships among members must be defined through conversation, mutual definition of those behaviors and practices expected of the members and the chief executive, and mutual responsibility for the board’s performance.

Strong Governing Boards work effectively with their executive and staff: Recognition that the role of the board and that of the chief executive and the professional staff are truly separate. With the complexity of governance in today’s organizations, the balance is less one in which there are firm boundaries to roles, and more one in which stakeholders, board members and professional staff view themselves as mutually supportive partners in the unity of purpose, problem solving and the delivery of agency services.

Board’s Focus on Ends

♦ Goal setting – retreats
♦ Exploration and analysis – committees
♦ Disposition and policy – regular meetings
♦ Stakeholder relations – stay in touch with the community ‘owners’ as well as constituents
♦ Resource stewardship – effective direction to staff

Culture of Team Success

How the board leads as a team: How collectively and individually the board models and practices behaviors which inspire others, drives performance, shares authority and responsibility, and demonstrates to stakeholders and employees a caring about people, the community and the unity of purpose. Board members value differences while recognizing the importance of finding common ground. Trust is built around understanding and respect, not necessarily agreement. Successful boards appreciate the profound influence of interpersonal practices on governance and strive to develop expected norms.

Focus on Ends

Bifocal vision – The board is forward thinking both on immediate ends and the creation of policies with a long-range perspective. Immediate ends are aligned with long term priorities.

Strategic agility – The board manages political diversions to avert detours and focus its efforts and those of the staff on the immediate ends and collective goals. It guides these “means” through clear and consistent expectations of outcomes.
**Division of Responsibilities in Local Government Board-Executive Relations**

A Conversation for the Board and Executive

- What expectations does the governing board and governing board members have of the executive?
- What will the governing board contribute to support the executive?
- What will the executive contribute to support the governing board?
- What expectations does the executive have of the governing board and governing board members?
A Model for Governance in Local Government

Typical Tasks

**Mission and Vision**
- Advise, options, past practice, analyze conditions and trends, identify constraints
- Make recommendations on all decisions, formulate budget, determine service distribution formulae, create implementation plans (means)
- Establish practices and procedures, make decisions for implementing policy, monitor performance
- Control human, financial, material, and informational resources of organization to support policy and administrative functions

**Policy**
- Determine purpose of organization, establish long-term vision, determine services and service levels, set strategic goals and priorities
- Pass ordinances, approve projects and programs, ratify budget, identify ends and outcomes, establish values and perspectives in policy
- Make key implementation decisions (i.e. siting), handle complaints, oversee administration, set decision boundaries, review performance measures
- Establish practices and procedures, make decisions for implementing policy, monitor performance

**Leadership**
- Suggest management changes to manager, approve labor and other major contracts, review performance of organization in manager review

**Management**
Board Governance
Working Together to Accomplish Good

Foundations of “Policy”
♦ Values
♦ Perspectives

Categories of Board Policy—A Model for Governance
♦ Ends to be Achieved
♦ Executive Limitations to Means
♦ Board-Executive Relationship
♦ Board Process of Governance

Focus on Results
♦ Reasons for organization’s existence
♦ Clarifying and sustaining mission
♦ Results = Ends = Outcomes = Impacts
♦ Product Benefits to be produced
♦ Recipients For whom
♦ Efficiency At what cost
♦ What good is to be accomplished for which people at what cost?

Core Board Products
♦ Linkage to Ownership
♦ Explicit Governing Policies
♦ Assurance of Executive Performance

E Pluribus Unum
♦ Pursuing Pluribus
♦ Achieving Unum

Towards Board Governance

Effective governing boards are built on a framework to guide their thoughts, actions, structure and relationships. Ideal elements include:

1. **“Cradle” vision**  Systematic encouragement to think the unthinkable and to dream of possibilities.

2. **Explicitly address fundamental values**  The board is the guardian of organizational values; it focuses on deliberations and explicit pronouncements on those values.

3. **Force an external focus**  Be more concerned with external responsiveness than with the internal issues of organizational mechanics.

4. **Enable an outcome-driven organizing system**  Establish an outcome-based mission and procedurally enforce the mission as the central organizing focus.

5. **Separate large issues from small ones**  Spend time on the large issues.

6. **Force forward thinking**  Strategic leadership demands the long-term viewpoint and the majority of the board’s time thinking about the future.

7. **Enable productivity**  Boards press towards leading and not reacting; more in creating than in approving.

8. **Facilitate diversity and unity**  Optimize the richness of board composition and opinion, yet still assimilate the variety into one voice, and then speak as one voice.

9. **Balance relationships to relevant constituencies**  Boards are both trustees for all ‘owners’ and accountable to constituencies, and therefore must define how these accountabilities coexist in their governance.

10. **Define a common basis for discipline**  How the board practices self-discipline; to stick to its job description and rules of governance.

11. **Delineate the board’s role in common topics**  The roles of the board and the executive is discussed and is clear on any topic.

12. **Determine what information is needed**  Precise distinctions about the amount of information that is needed: not too much, too little, too late, or simply wrong.

13. **Balance overcontrol and undercontrol**  Clarify those aspects of management which need tight versus loose control; avoid being a “rubber-stamper” or a “micromanager.”

14. **Use board time wisely**  Sort out what really needs to be done to enable boards to use the precious gift of time more productively.
When the economy recovers, things won’t return to normal—and a different mode of leadership will be required.

Leadership in a (Permanent) Crisis

by Ronald Heifetz, Alexander Grashow, and Marty Linsky

It would be profoundly reassuring to view the current economic crisis as simply another rough spell that we need to get through. Unfortunately, though, today’s mix of urgency, high stakes, and uncertainty will continue as the norm even after the recession ends. Economies cannot erect a firewall against intensifying global competition, energy constraints, climate change, and political instability. The immediate crisis—which we will get through, with the help of policy makers’ expert technical adjustments—merely sets the stage for a sustained or even permanent crisis of serious and unfamiliar challenges.

Consider the heart attack that strikes in the middle of the night. EMTs rush the victim to the hospital, where expert trauma and surgical teams—executing established procedures because there is little time for creative improvisation—stabilize the patient and then provide new vessels for the heart. The emergency has passed, but a high-stakes, if somewhat less urgent, set of challenges remains. Having recovered from the surgery, how does the patient prevent another attack? Having survived, how does he adapt to the uncertainties of a new reality in order to thrive? The crisis is far from over.

The task of leading during a sustained crisis—whether you are the CEO of a major corporation or a manager heading up an impromptu company initiative—is treacherous. Crisis leadership has two distinct phases. First is the emergency phase, when your task is to stabilize the situation and buy time. Second is the adaptive phase, when you tackle the underlying causes of the crisis and build the capacity to thrive in a new reality. The adaptive phase is especially tricky. People put enormous pressure on you to respond to their anxieties with authoritative certainty, even if doing so means overselling what you know and discounting what you don’t. As you ask them to make necessary but uncomfortable adaptive changes in their behavior or work, they may try to bring you down. People clamor for direction, while you are faced with a way forward that isn’t at all obvious. Twists and turns are the only certainty.

Yet you still have to lead.
Hunker Down—or Press “Reset”
The danger in the current economic situation is that people in positions of authority will hunker down. They will try to solve the problem with short-term fixes: tightened controls, across-the-board cuts, restructuring plans. They’ll default to what they know how to do in order to reduce frustration and quell their own and others’ fears. Their primary mode will be drawing on familiar expertise to help their organizations weather the storm.

That is understandable. It’s natural for authority figures to try to protect their people from external threats so that everyone can quickly return to business as usual. But in these times, even the most competent authority will be unable to offer this protection. The organizational adaptability required to meet a relentless succession of challenges is beyond anyone’s current expertise. No one in a position of authority—none of us, in fact—has been here before. (The expertise we relied on in the past got us to this point, after all.) An organization that depends solely on its senior managers to deal with the challenges risks failure.

That risk increases if we draw the wrong conclusions from our likely recovery from the current economic downturn. Many people survive heart attacks, but most cardiac surgery patients soon resume their old ways: Only about 20% give up smoking, change their diet, or get more exercise. In fact, by reducing the sense of urgency, the very success of the initial treatment creates the illusion of a return to normalcy. The medical experts’ technical prowess, which solves the immediate problem of survival, inadvertently lets patients off the hook for changing their lives to thrive in the long term. High stakes and uncertainty remain, but the diminished sense of urgency keeps most patients from focusing on the need for adaptation.

People who practice what we call adaptive leadership do not make this mistake. Instead of hunkering down, they seize the opportunity of moments like the current one to hit the organization’s reset button. They use the turbulence of the present to build on and bring closure to the past. In the process, they change key rules of the game, reshape parts of the organization, and redefine the work people do.

We are not talking here about shaking up an organization so that nothing makes sense anymore. The process of adaptation is at least as much a process of conservation as it is of reinvention. Targeted modifications in specific strands of the organizational DNA will make the critical difference. (Consider that human beings share more than 90% of their DNA with chimpanzees.)

Still, people will experience loss. Some parts of the organization will have to die, and some jobs and familiar ways of working will be eliminated. As people try to develop new competencies, they’ll often feel ashamed of their incompetence. Many will need to renegotiate loyalties with the mentors and colleagues whose teachings no longer apply.

Your empathy will be as essential for success as the strategic decisions you make about what elements of the organizational DNA to discard. That is because you will need people’s help—not their blind loyalty as they follow you on a path to the future but their enthusiastic help in discovering that path. And if they are to assist you, you must equip them with the ability to perform in an environment of continuing uncertainty and uncontrollable change.

Today’s Leadership Tasks
In this context, leadership is an improvisational and experimental art. The skills that enabled most executives to reach their positions of command—analytical problem solving, crisp decision making, the articulation of clear direction—can get in the way of success. Although these skills will at times still be appropriate, the adaptive phase of a crisis requires some new leadership practices.

Foster adaptation. Executives today face two competing demands. They must execute in order to meet today’s challenges. And they must adapt what and how things get done in order to thrive in tomorrow’s world. They must develop “next practices” while excelling at today’s best practices.

Julie Gilbert is evidence that these dual tasks can—indeed, should—be practiced by people who do not happen to be at the very top of an organization. As a vice president and then senior VP at retailer Best Buy from 2000 to early 2009, she saw a looming crisis in the company’s failure to profit from the greater involvement of women in the male-oriented world of consumer electronics. Women were becoming more influential in purchasing decisions, directly and indirectly. But capitalizing on this trend would require something beyond
Adaptive Leadership in Practice

Best Buy | A senior vice president helped the company adapt to the reality that women increasingly make consumer electronics purchasing decisions.

Beth Israel Deaconess Medical Center | The new CEO helped a dysfunctional organization created through the hasty merger of two Harvard teaching hospitals adapt to modern health care challenges.

Egon Zehnder International | The founder fostered a leadership style that helped the executive search firm adapt to the rise of online recruiting and competitors’ IPOs.

A smart marketing plan. It would demand a change in the company’s orientation.

Getting an organization to adapt to changes in the environment is not easy. You need to confront loyalty to legacy practices and understand that your desire to change them makes you a target of attack. Gilbert believed that instead of simply selling technology products to mostly male customers, Best Buy needed to appeal to women by reflecting the increasing integration of consumer electronics into family life. So Gilbert headed up an initiative to establish in-store boutiques that sold home theater systems along with coordinated furniture and accessories. Stores set up living-room displays to showcase not just the electronics but also the entertainment environment. Salespeople were trained to interact with the previously ignored female customers who came in with men to look at systems.

Gilbert says that championing this approach subjected her to some nasty criticism from managers who viewed Best Buy as a retailer of technology products, not experiences. But focusing on the female purchaser when a man and a woman walked into the store—making eye contact and greeting her, asking about her favorite movies and demonstrating them on the systems—often resulted in the couple’s purchasing a higher-end product than they had originally considered. According to Gilbert, returns and exchanges of purchases made by couples were 60% lower than those made by men. With the rethinking of traditional practices, Best Buy’s home theater business flourished, growing from two pilot in-store boutiques in mid-2004 to more than 350 five years later.

As you consider eliminating practices that seem ill suited to a changing environment, you must distinguish the essential from the expendable. What is so precious and central to an organization’s identity and capacity that it must be preserved? What, even if valued by many, must be left behind in order to move forward?

Gilbert wanted to preserve Best Buy’s strong culture of responding to customers’ needs. But the company’s almost exclusively male culture—“guys selling to guys”—seemed to her a barrier to success. For example, the phrase “the jets are up” meant that the top male executives were aboard corporate aircraft on a tour of Best Buy stores. The flights gave them a chance to huddle on important issues and bond with one another. Big decisions were often announced following one of these trips. After getting a call with a question about female customers from one such group visiting a Best Buy home theater boutique, Gilbert persuaded senior executives never to let the jets go up without at least one woman on board.

Because you don’t know quite where you are headed as you build an organization’s adaptability, it’s prudent to avoid grand and detailed strategic plans. Instead, run numerous experiments. Many will fail, of course, and the way forward will be characterized by constant midcourse corrections. But that zigzagging path will be emblematic of your company’s ability to discover better products and processes. Take a page out of the technology industry’s playbook: Version 2.0 is an explicit acknowledgment that products coming to market are experiments, prototypes to be improved in the next iteration.

Best Buy’s home theater business was one experiment. A much broader one at the company grew out of Gilbert’s belief that in order to adapt to an increasingly female customer base, Best Buy would need to change the role of women within the organization. The company had traditionally looked to senior executives for direction and innovation. But, as Gilbert explained to us, a definition of consumer electronics retailing that included women would ultimately have to come from the bottom up. Appealing to female customers required empowering female employees at all levels of the company.

This led to the creation of “WoLF (Women’s Leadership Forum) packs,” in which women, from store cashiers to corporate executives, came together to support one another and to generate innovative projects by drawing on their collective experience. In an unorthodox attempt to neutralize the threat to Best Buy’s traditionally male culture, two men paired up with two women to lead each group.

More than 30,000 employees joined WoLF packs. The company says the initiative strengthened its pipeline of high-potential leaders, led to a surge in the number of female job applicants, and improved the bottom line by reducing turnover among female employees. Gilbert, who recently left Best Buy to help other companies establish similar programs, was able to realize the dual goal of adaptive leadership: tackling the current challenge and
Keep your hand on the thermostat. If the heat’s too low, people won’t make difficult decisions. If it’s too high, they might panic.

building adaptability. She had an immediate positive impact on the company’s financial performance while positioning the organization to deploy more of its people to reach wider markets.

Embrace disequilibrium. Without urgency, difficult change becomes far less likely. But if people feel too much distress, they will fight, flee, or freeze. The art of leadership in today’s world involves orchestrating the inevitable conflict, chaos, and confusion of change so that the disturbance is productive rather than destructive.

Health care is in some ways a microcosm of the turbulence and uncertainty facing the entire economy. Paul Levy, the CEO of Beth Israel Deaconess Medical Center, in Boston, is trying to help his organization adapt to the industry’s constant changes.

When Levy took over, in 2002, Beth Israel Deaconess was a dysfunctional organization in serious financial trouble. Created several years previously through the hasty merger of two Harvard Medical School teaching hospitals, it had struggled to integrate their very different cultures. Now it was bleeding red ink and faced the likelihood of being acquired by a for-profit company, relinquishing its status as a prestigious research institution. Levy quickly made changes that put the hospital on a stronger financial footing and eased the cultural tensions.

To rescue the medical center, Levy had to create discomfort. He forced people to confront the potentially disastrous consequences of maintaining the status quo—continued financial losses, massive layoffs, an outright sale—stating in a memo to all employees that “this is our last chance” to save the institution. He publicly challenged powerful medical factions within the hospital and made clear he’d no longer tolerate clashes between the two cultures.

But a successful turnaround was no guarantee of long-term success in an environment clouded by uncertainty. In fact, the stability that resulted from Levy’s initial achievements threatened the hospital’s ability to adapt to the succession of challenges that lay ahead.

Keeping an organization in a productive zone of disequilibrium is a delicate task; in the practice of leadership, you must keep your hand on the thermostat. If the heat is consistently too low, people won’t feel the need to ask uncomfortable questions or make difficult decisions. If it’s consistently too high, the organization risks a meltdown: People are likely to panic and hunker down.

Levy kept the heat up after the financial emergency passed. In a move virtually unprecedented for a hospital, he released public quarterly reports on medical errors and set a goal of eliminating those errors within four years. Although the disclosures generated embarrassing publicity, Levy believed that acknowledging and learning from serious mistakes would lead to improved patient care, greater trust in the institution, and long-term viability.

Maintaining the right level of disequilibrium requires that you depersonalize conflict, which naturally arises as people experiment and shift course in an environment of uncertainty and turbulence. The aim is to focus the disagreement on issues, including some of your own perspectives, rather than on the interested parties. But the issues themselves are more than disembodied facts and analysis. People’s competencies, loyalties, and direct stakes lie behind them. So you need to act politically as well as analytically. In a period of turmoil, you must look beyond the merits of an issue to understand the interests, fears, aspirations, and loyalties of the factions that have formed around it. Orchestrating conflicts and losses and negotiating among various interests are the name of the game.

That game requires you to create a culture of courageous conversations. In a period of sustained uncertainty, the most difficult topics must be discussed. Dissenters who can provide crucial insights need to be protected from the organizational pressure to remain silent. Executives need to listen to unfamiliar voices and set the tone for candor and risk taking.

Early in 2009, with Beth Israel Deaconess facing a projected $20 million annual loss after several years of profitability, Paul Levy held an employee meeting to discuss layoffs. He expressed concern about how cutbacks would affect low-wage employees, such as housekeepers, and somewhat cautiously floated what seemed likely to be an unpopular idea: protecting some of those low-paying jobs by reducing the salary and benefits of higher-paid employees—including many sitting in the auditorium. To his surprise, the room erupted in applause.

His candid request for help led to countless suggestions for cost savings, including an offer
by the 13 medical department heads to save 10 jobs through personal donations totaling $350,000. These efforts ultimately reduced the number of planned layoffs by 75%.

**Generate leadership.** Corporate adaptability usually comes not from some sweeping new initiative dreamed up at headquarters but from the accumulation of microadaptations originating throughout the company in response to its many microenvironments. Even the successful big play is typically a product of many experiments, one of which finally proves pathbreaking.

To foster such experiments, you have to acknowledge the interdependence of people throughout the organization, just as companies increasingly acknowledge the interdependence of players—suppliers, customers, even rivals—beyond their boundaries. It is an illusion to expect that an executive team on its own will find the best way into the future. So you must use leadership to generate more leadership deep in the organization.

At a worldwide partners’ meeting in June 2000, Egon Zehnder, the founder of the executive search firm bearing his name, announced his retirement. Instead of reflecting on the 36-year-old firm’s steady growth under his leadership, he issued a warning: Stability “is a liability, not an asset, in today’s world,” he said. “Each new view of the horizon is a glance through a different turn of the kaleidoscope” (a symbol of disequilibrium, if there ever was one). “The future of this firm,” Zehnder continued, “is totally in the hands of the men and women here in this room.”

From someone else, the statement might have come across as obligatory pap. But Egon Zehnder built his firm on the conviction that changes in internal and external environments require a new kind of leadership. He saw early on that his start-up could not realize its full potential if he made himself solely responsible for its success.

Individual executives just don’t have the personal capacity to sense and make sense of all the change swirling around them. They need to distribute leadership responsibility, replacing hierarchy and formal authority with organizational bandwidth, which draws on collective intelligence. Executives need to relax their sense of obligation to be all and do all and instead become comfortable sharing their burden with people operating in diverse functions and locations throughout the organization. By pushing responsibility for adaptive work down into the organization, you clear space for yourself to think, probe, and identify the next challenge on the horizon.

To distribute leadership responsibility more broadly, you need to mobilize everyone to generate solutions by increasing the information flow that allows people across the organization to make independent decisions and share the lessons they learn from innovative efforts.

To generate new leadership and innovative ideas, you need to leverage diversity—which, of course, is easier said than done. We all tend to spend time with people who are similar to us. Listening and learning across divides is taxing work. But if you do not engage the widest possible range of life experiences and views—including those of younger employees—you risk operating without a nuanced picture of the shifting realities facing the business internally and externally.

Creating this kind of environment involves giving up some authority usually associated with leadership and even some ownership, whether legal or psychological, in the organization. The aim, of course, is for everyone to “act like they own the place” and thus be motivated to come up with innovations or take the lead in creating value for their company from wherever they sit.

Zehnder did in fact convert the firm into a corporation in which every partner, including himself, held an equal share of equity and had an equal vote at partners’ meetings. Everyone’s compensation rose or fell with the firm’s overall performance. The aim was to make all the partners “intertwined in substance and purpose.”

Zehnder’s collaborative and distributed leadership model informed a strategic review that the firm undertook just after his retirement. In the short term, the partners faced a dramatic collapse in the executive search market; their long-term challenge was a shifting competitive landscape, including the rise of online recruiting and the initial public offerings of several major competitors. As the firm tried to figure out how to adapt and thrive in this environment, Zehnder’s words hung in the air: “How we deal with change differentiates the top performers from the laggards. But first we must know what should never change. We must grasp the difference between timeless principles and daily practices.” Again, most sustain-

**An executive team on its own can’t find the best solutions. But leadership can generate more leadership deep in the organization.**
able change is not about change at all but about discerning and conserving what is precious and essential.

The firm took a bottom-up approach to sketching out its future, involving every partner, from junior to senior, in the process. It chose to remain a private partnership. Unlike rivals that were ordering massive downsizing, the firm decided there would be virtually no layoffs: Preserving the social fabric of the organization, crucial to long-term success, was deemed more important than short-term financial results. In fact, the firm opted to continue hiring and electing partners even during the down market.

Rooted in its culture of interdependence, the firm adapted to a changing environment, producing excellent results, even in the short term, as it gained market share, maintained healthy margins, and sustained morale—a major source of ongoing success. Adaptive work enabled the firm to take the best of its history into the future.

**Taking Care of Yourself**

To keep yourself from being corralled by the forces that generated the crisis in the first place, you must be able to depart from the default habits of authoritative certainty. The work of leadership demands that you manage not only the critical adaptive responses within and surrounding your business but also your own thinking and emotions.

This will test your limits. Taking care of yourself both physically and emotionally will be crucial to your success. You can achieve none of your leadership aims if you sacrifice yourself to the cause.

First, give yourself permission to be both optimistic and realistic. This will create a healthy tension that keeps optimism from turning into denial and realism from devolving into cynicism.

Second, find sanctuaries where you can reflect on events and regain perspective. A sanctuary may be a place or an activity that allows you to step away and recalibrate your internal responses. For example, if you tend to demand too much from your organization, you might use the time to ask yourself, “Am I pushing too hard? Am I at risk of grinding people into the ground, including myself? Do I fully appreciate the sacrifices I’m asking people to make?”

Third, reach out to confidants with whom you can debrief your workdays and articulate your reasons for taking certain actions. Ideally, a confidant is not a current ally within your organization—who may someday end up on the opposite side of an issue—but someone external to it. The most important criterion is that your confidant care more about you than about the issues at stake.

Fourth, bring more of your emotional self to the workplace. Appropriate displays of emotion can be an effective tool for change, especially when balanced with poise. Maintaining this balance lets people know that although the situation is fraught with feelings, it is containable. This is a tricky tightrope to walk, especially for women, who may worry about being dismissed as too emotional.

Finally, don’t lose yourself in your role. Defining your life through a single endeavor, no matter how important your work is to you and to others, makes you vulnerable when the environment shifts. It also denies you other opportunities for fulfillment.

Achieving your highest and most noble aspirations for your organization may take more than a lifetime. Your efforts may only begin this work. But you can accomplish something worthwhile every day in the interactions you have with the people at work, with your family, and with those you encounter by chance. Adaptive leadership is a daily opportunity to mobilize the resources of people to thrive in a changing and challenging world.

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Note: Some of the information in this article was drawn from “Paul Levy: Taking Charge of the Beth Israel Deaconess Medical Center,” HBS case no. 9-303-008 and “Strategic Review at Egon Zehnder International,” HBS case no. 9-904-071.

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