Adaptive space
Leveraging networks to drive agility

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Burt Rae (Burt): Welcome to this week's Capital H Podcast. I'm your host, Burt Rae. There's a common thread running through so many conversations that we have about the future of work and about business, technology, staying competitive, you name it. That thread is the relentless pace of change and the constant disruption that we see and experience today, along with the need—and frankly the struggle—to deal with it effectively. Here to give us some fresh thinking on how to approach change and enable innovation is Michael Arena, the former Chief Talent Officer for General Motors and now Vice President of Talent for Amazon. Michael's book, Adaptive Space, brings to life how organizations can become more adaptable and agile by leveraging human interactions within networks and teams.

Burt: Hi. Welcome back, this is Burt Rae, your cohost for Capital H, our podcast on putting humans at the center of work. Joining me for the next conversation is Julie Duda, who is a member adviser with our Bersin group; and also joining me, Michael Arena, who is the former Chief Talent Officer for General Motors and now VP of Talent for Amazon. Michael, welcome, and thank you for joining us.

Michael Arena (Michael): Thanks Burt, looking forward to it.

Burt: Wonderful. Julie, thank you also for being with us today.

Julie Duda: Thanks for having me.

Burt: So Michael, to start, could you briefly describe your book, Adaptive Space, what inspired you to write this?

Michael: So this concept of adaptation I've been thinking about for years, I've been studying for years, and I've been just fascinated by this notion of, why is it that some organizations are adaptive and responsive in a very chaotic world, and others are not? Others simply just drift off into their own demise because they haven't responded to all the signals that are in the world, and it's not a knowing problem. Both organizations in this scenario, whoever you might look at—think about Netflix and Blockbuster or whomever else—know that the world's shifted around them, but it's a maneuver problem. It's basically, how is it that some organizations are able to position themselves to respond and adapt and others aren't? So, as we delve into that question and began to look at these companies, and then academically sorta snowball back into the organizations through narrative analysis originally, and then ultimately network analysis, to understand what are the dynamics necessary to adapt, a handful of really critical findings began to emerge. And that's this concept of adaptive space, and really the book was written to try to shift the narrative—to shift the narrative of these companies that feel like victims whenever the world's changing around them, to actually put them in the offensive seat to disrupt themselves before somebody else might disrupt them.

Burt: I often say, you can't be a leader and a victim at the same time. You have to choose a role. So, this idea of adaptive is fascinating to me. Relate that to resilience—how does adaptive and resilience talk to each other?

Michael: I think there are two sides of the same coin. I think of adaptive as a set of maneuvers. I think resilience is kind of a mind-set that exists underneath those set of maneuvers. When I think of adaptation—and this was a critical finding—I think of creating different social architectures, creating different social changes inside of an organization so that the organization can loosen itself up and respond to what the outside market is doing. Resiliency is sort of the mind-set to be able to do that.

Julie: I'd like to just throw in there—so you just mentioned the social piece, and I'd love you to describe a little bit the difference between human capital and social capital.

Michael: I think this was not something we were looking for. We entered into this study, again, 15 years ago, thinking that leadership made all the difference in the world; and surprisingly it does and doesn't in the same breath. And what we discovered was that it had as much to do with the networks and sort of the social arrangement inside an organization as it does the leaders themselves. Now the leaders—and this is really important—a leader has to have the fortitude to be able to enable this change, but they don't necessarily have to architect the changes themselves, and that's where the social capital stuff comes in to play. We thought that we were going to be looking for human capital characteristics of leaders, what we ended up discovering was, social capital within an organization, how tightly connected people are, or how many bridge connections they have, or how connected they are to the outside world, ended up being the primary difference. That's called social capital. We think there are different types of social capital, and shortly stated, human capital is what we know, and that's what we entered into—what leaders know, what other individuals know—and social capital is how well positioned you are to leverage what you know, and that ends up being sort of the fabric of adaptive space is the latter, not the former.

Burt: And in your book you talk about the four D's of discovery, development, diffusion, disruption, how does that sort of flesh out this social landscape that you've talked about?

Michael: If you think about it, organizations need to be in a constant state of discovering what's happening around them. Organizations need to constantly be developing the new thing. They need to constantly be diffusing that new thing throughout the organization so that it can be scaled and it can become the next big thing. And then, when they can make those three moves, they essentially are able to disrupt themselves from within, and that's what we've discovered—company over company—and those four D's that I just mentioned, discovery, is one form of social capital. That requires a lot of brokerage and bridge ties to the outside world so that you can pay attention to what's happening in your industry. You can engage with consumers. You can engage with researchers or academics about what's happening inside of your world. Development, which is a different set of social arrangement, is really about, how do we work together as small, tight, cohesive teams that can move super fast? So, what we know is, bridge connections, which help with discovery, if you can create these bridging mechanisms inside of organizations, you can enhance insights into the organization by 30 percent. But that's not enough because ideas are cheap, and we all have lots of ideas, you've gotta do something with those ideas, you need to bring them to life—that's where these development, cohesive connections—Amazon calls them two pizza teams, which are small groups of maybe six people—this is highly empirical—that no more than two pizzas can feed for lunchtime, are really good at working rapidly together to bring something into the world. Then, you need to diffuse those, and that, then, requires different sets of connections—bridge ties inside now as opposed to outside—and energy; and I'll talk much more about energy later, but energy helps to be the amplifier within organizations to get ideas out of one small pocket, or to get a minimum viable product out of one small pocket, and to amplify it out across the broader organization.

Burt: And that all leads to and enables this sense of disruption, this since of destruction, and reinvention. It can't be just one or the other, it sounds like it needs to be both.

Michael: Yeah, completely. You, at some point in time, have to disrupt the status quo, which is the fourth dimension, and to do that, you have to have good ideas, you have to have social acceptance of those ideas, and belief and conviction that this is going to be successful in the marketplace, based on studies and so on; and then you have to break down the old norms, roles, and sorta status quo, and that's where the disruption connections come in.

Burt: How do you see the difference between a product extension or a new line versus disruption?

Michael: It's a great question. I think of these—without making it overly complex—I think of these four D's, these four social arrangements, at both a macro scale and a micro scale. So having just recently left General Motors, General Motors is doing a wonderful job around disrupting at the macro level, potentially, at least positioning themselves to disrupt at the macro level with self-driving vehicles, an electric platform, fully electric cars, and car-sharing platforms. Those are big macro moves. At the same time, if you're not loosening up the core of the organization with a set of micro moves, which is engaging the everyday employee in discovery, which is engaging the everyday employee in developing stuff, what you're never going to do is be able to get those big things back into the core of an organization to where they can become the new norm. So that's why it's almost like there are two parallel paths. You can think about growth and innovation on the fringe, which are the big bets, and then you can think about the many, many micro moves inside of an organization, which is getting the core of the organization ready to receive and be more receptive to some of the bigger ideas. So they run parallel with one another. And again, at General Motors, we were doing both. The big moves were the things that you hear about in the media, the small moves are how you get young people coming into the organization energized and fired up about being part of an organization with a bigger purpose than just producing automobiles, but solving bigger issues like congestion problems inside of a city, or helping to take pollution out of the air by

creating electric platforms, and the everyday employees can get fired up about those things, and then ultimately those two things merge together.

Burt: Yeah. And it almost seems like the big topics could signal progress on the little topics and vice versa.

Michael: And these things always have to be done in parallel, and I think that's what we saw when we went in. So we did look at 60 companies across time, and what we kept finding was, it was these social moves that were happening inside of these organizations—both big and small—that were loosening them up enough to be responsive as opposed to those that really got locked in, either at the structures and/or culture, and weren't able to get themselves out, even though they knew exactly what was on the horizon. And in fact, in many cases, they invented their own demise, they just weren't able to move it fast enough to market where their competitors were.

Julie: When you talk about how there's the little changes kind of in the core of the business, and the bigger stuff out on the fringe where you're making those big bets, how do organizations that are very traditional, very hidebound, how do they make that? Because a lot of them are hearing, we need to move to this network of teams, and it seems like this big sea change of we need to reinvent the entire organization in one fell swoop. Talk about that piece.

Michael: It's just not the way that it works. It's just simply not the way that it works. If you try to sell this as an initiative, if you try to sell this as the next big transformation, the antibodies will consume it; and they're skilled at that. They've been fighting off transformations since the beginning of time inside of large organizations. So what you do is you follow the energy and you start—I mean the big bats are big bats, and you have to have some business model, you have to have some business case to invest in these things. Now you may grow them small. Maven, which is a car-sharing platform at General Motors, is a perfect example of this. This was a small ragtag team of people that went out and realized that urban mobility

is going to radically disrupt the automotive industry, so they learned about the patterns inside of an urban environment; and in that case, it started as a small thing, but bigger investment came over time. But at the same time, you're starting inside the organization, and you may start in a small pocket in say, in the engineering group, and it's not a big announcement, it's not a, if you overengineer this on the front end, it won't work anyhow. It's many bobs and weaves, many pivots, many small moves that over time become emergent and sorta add up to something much more strategic over time. Now, it is—the way I'd like to describe this is it's bottom-up energy that happens in small pockets that converges with top-down strategy. There is a role for leadership. There is a role for top-down strategy, but it's not to engineer this across the next five years, it's to enable it, and then create these grassroots movements to where people can sorta do what they love and be passionate about it until it becomes contagious throughout.

Julie: So do leaders in this new world need to just kind of be tolerant of these things when they come, or is there more that's expected of them?

Michael: This is like the biggest—two big findings in the research and then whenever it comes to application, this is the biggest challenge is, what's the role of leadership in this? And in some regards, the role of leadership in the beginning is just to be hands-off. It's almost to create an environment with a lot of degree of freedom for people to experiment and not go crazy. I'm not talking about sort of just doing random things, but I'm talking about providing the space for people to do what they're passionate about and what they believe in; and then in the long haul, it's their responsibility to pull it through and invest in the most promising things in the end so that it can become scaled and the next big new normal or new entity.

Julie: So Bersin's research has found that giving people that space to do that extra thing that they're passionate about within their worktime, it is a predictor of being a more impactful organization, so it's nice to hear it coming from the other side as well.

Michael: And as a researcher before being a practitioner on this, what we discovered in all 60 of these companies was—and some were adaptive and some weren't, that was by design—was every organization had two things. All 60 had two things. One was an operational system, which isn't surprising, the formal parts of an organization that scale things. The second one was entrepreneurial pockets. Sometimes those were formal and well ordered and organized, sometimes they were just random ad hoc renegades deep inside the organization trying to disrupt the status quo. Every organization had those two things. Only the adaptive ones had the third dimension, which we've been talking about, which is adaptive space, which is really thinking about the social moves necessary to get things from these little pockets into the broader organization so that they can be scaled.

Burt: It's really the connector. So, tell us more about teams. Let's say I'm in the middle of a hierarchical structure, I'm in my silo, my team consists of the two people to my right and the three people to my left, and we all report to this one VP, and keep your head down, do your work. How do we become more agile, more team-based in our thinking?

Michael: Well, so a couple questions in there. One is, just start where you can start. We all disempower ourselves—and this is gonna sound radical, and I don't mean it to, but I do mean what I'm about to say—we all want to disempower ourselves by first asking for leadership permission to do something. Turns out that leaders are the biggest resistors and the strongest de-energizers inside of an organization. They don't even know what they believe, and they're always getting 12 ideas a day. So, the very definition of a leader is to manage resources; and if you're getting 10–12 ideas a day, from 10–12 different teams, you have to say no to some of those things. But if you can actually get started in that small team—and maybe it's not all five or six people in that local pocket—maybe it's three of you. So go find one friend and then maybe another, get started on something, run your little experiment; then, if you've done that

and your two or three friends say, hey, this is really good, Burt, we ought to continue to invest in this, go find a few other people. And what ends up happening, and we've seen this time after time, is if you start there and it's something that really works, oftentimes you shut it down; and you'll say at the end of the day, this was really stupid, and I'm not gonna invest any more of my time in this idea. But after you've gotten some social proof from your friends, you begin to believe in it and become more convicted about it. Then you go find a handful of other friends who believe in it as well, and what ends up happening is if you can buzz up two or three teams, and you're working more across the organization than up and down the organization, what happens is, three or four people from across the organization begin to close in on that leader, and we call that—social scientists call that closing the network—and if that happens, half the battle's already won. So here's the thing to think about with leaders: leaders, your idea is always competing with somebody else's idea, and therefore the deck is stacked against you from the very beginning. They need to understand the idea, and they also need to understand your conviction about that idea. So you have to sell on two fronts. If your friends start to sell on the conviction of the idea, and there's network buzz around this thing is really working by the time.

Julie: And that's really the concept of followership, right?

Michael: Completely. Completely. One of the organizations I love to talk about is W. L. Gore, and W. L. Gore and Associates focuses a ton on followership, and they focus a ton on this find a friend mind-set, go find a couple other engineers that have the same conviction and belief that you do. They call it their lattice, they don't use networks to describe it. Go build your lattice around that idea, and what they're really saying is, create a groundswell inside; and at some point, this will be a good enough idea, you'll be able to stand it up as a real minimum viable product, that it will stand the test of pressures of a leader and/or somebody else challenging the idea because you've done the work prior to that moment. What we tend to do is take half-baked, the old formed

ideas and present them—sometimes with conviction, sometimes we don't even believe them ourselves, and then we wonder why we lose; and that's just not the way social beings interact.

Burt: It's almost at that developing inertia and momentum that you (?)(18:38).

Michael: 100 percent.

Burt: So, flip the model, I'm a leader, I've got a big team, they're all sort of in the weeds, how do I incentivize, how do I insight that cross-functional collaboration that you talked about, that teaming to create those disruptive ideas?

Michael: I'm gonna start by talking about energy in response to this question. One of the most contagious things—I think we are in a world that's going to be shifting from engagement towards energy. Energy is a lead variable. Engagement is a lag variable. Energy happens face to face. In this conversation right now, either you believe or are buying into anything that I'm saying, and you're more energized about it or you're less energized about it, and we're looking at each other eyeball to eyeball, and that's contagious. And it turns out, if you're a leader and you know that, what you do is you start to feed the energy pockets inside of an organization. And we've done some fascinating network analysis around how do you actually feed the energizers, and how do you actually sort of continue to invest in the positive pockets; and over time if you do that, they become super contagious and draw other energizers to an initiative. It turned out that there are more energizing connections in adaptive organizations, four times, more energizing connections inside adaptive organizations than nonadaptive organizations, and what happens is, they begin to push the naysayers to the fringe of the network. And what they're really doing is marginalizing the people who are the resistors. And if they're on the edge of the network as opposed to the center, they aren't as effective at resisting. So, that was a long-winded answer to your question, but the way I would answer it succinctly, is don't try to get your entire organization engaged. Go find three high-energy pockets, invest in them, fan that flame, let those little fires

catch, and ultimately what happens is, it has this contagious effect across the broader team—set of teams.

Burt: Best example of delegation I've ever heard.

Michael: Well, it is a bit of delegation, but it's also tapping into the passion and the power of the people in your organization who all join for a reason and all believe in something bigger than themselves; and I think as leaders, that's what we need to enable. And then occasionally we need to go back to our operational leadership model and sorta help break through the resistance and the brick walls later, once there's something to invest in.

Burt: So Michael, congratulations on your new role at Amazon. It sounds very exciting. It's already a pretty disruptive company. What's your vision for your role there?

Michael: So, to be determined is the vision. I'm still trying to learn the organization, but I'm just fascinated by Amazon as an organization. I've studied it from a distance for a while, and when I think of adaptive organizations, and organizations that can adapt at scale and speed, in conjunction with one another, again, I'm just intrigued and looking forward to this new journey, and it will be a brand new frontier for me, so perhaps we can come back and have that conversation later. At this point, it's all anticipation, but I'm super excited about the possibilities.

Burt: That's fantastic. Well, good luck on your PhD in adaptive organizations.

Michael: Thank you, Burt, and thank you, Julie.

Julie: Thank you.

(Outro) Burt: Human capital, social capital, and the power of connections to drive innovation. Our thanks to Michael Arena, Vice President of Talent for Amazon, for sharing the thinking and concepts behind his book, Adaptive Space. Join us next time as we dive into more topics and trends that focus on putting humans at the center of work.

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