

## Adaptive Leadership

### Lesson 8-5: Building an Adaptive Culture

#### Discussion Guide – Confidentiality Reminder

#### One Word Check-in

#### Update – Personal, Business, Leadership

*"Dear brothers and sisters, when troubles of any kind come your way, consider it an opportunity for great joy. For you know that when your faith is tested, your endurance has a chance to grow. So let it grow, for when your endurance is fully developed, you will be perfect and complete, needing nothing." James 1:2-4 (NLT)*

**Successful organizations need to make adaptive thinking a part of their culture.** Our previous lessons have addressed how organizations can deal with complex adaptive challenges; however, these approaches shouldn't simply be treated as a "break glass in case of an adaptive emergency" response. An adaptive mindset should be interwoven into a company's culture so that its leaders and stakeholders are constantly prepared to identify problems that may require a change in thinking from technical to adaptive. Some key characteristics of an adaptive organization are:<sup>(1)</sup>

- **People are not afraid to address the elephant in the room**, even when it may be uncomfortable and challenge the status quo. To facilitate open dialogue, leaders can ask at meetings if there are other angles to consider or related issues to discuss. Absent this approach, too many organizations suffer from "meetings after the meeting," in which the real issues and risks are discussed that would have been considered off-limits in the actual meeting.
- **Everyone feels responsible for the future of the organization.** While everyone occupies a specific spot on an org chart, highly effective organizations operate with a sense of shared responsibility. People pitch in to solve problems identified in other parts of the company. Compensation and bonuses consider the company's overall success first, and then individual or department achievement.
- **Independent judgment is valued.** People are encouraged to take initiative instead of waiting for instructions from leadership. They are given opportunities to provide input into the company's decisions because they have developed critical thinking skills. A historical example is how JFK encouraged independent thinking from his advisors during the Cuban Missile Crisis. While some of his counselors brought specific expertise and experience to the table, he also relied on trusted leaders who had proved themselves effective on previous challenging problems.
- **Leaders are developed by getting the right people on the bus and in the right seat.** Adaptive leaders understand that a deep bench is required to build a successful team. A company can't have too many good leaders. The character of a leader is revealed when they run to solve problems, instead of blaming others. In addition, every leader should be identifying one or two others who could succeed them.
- **Continuous learning is expected.** Seeing the next adaptive challenge requires awareness of industry trends, product or service innovations, and economic realities. This is only possible if an individual is willing to be a continuous learner, regardless of their current spot on the org chart. This will vary at different stages of a person's career, but a partial list of continuous learning includes sharing lessons from mistakes, getting input from all levels, networking externally, and reflecting on changes in the macro environment.

#### **Shared Experiences:**

- Share a time you were part of a "meeting after the meeting?" What could have been said during the meeting and by whom to avoid that subsequent side conversation?
- What are the ways your organization encourages or discourages change?
- During your career, how have you benefitted from a supervisor who invested in you to make you the best leader possible? Who are you mentoring?
- In the spirit of continuous learning, what are you currently learning?

**Bottom line:** In addition to courageous leadership and engaged stakeholders, successfully dealing with adaptive challenges on an ongoing basis requires an organization's culture to foster an adaptive mindset.

**Dig Deeper**

---

**Want to learn more?**

- <sup>(1)</sup>Book: [The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World](#) by Heifetz, Grashow and Linsky, published by Harvard Business Press. This is an excellent book.
- Article: [Intel's First Microprocessor](#) as presented by Intel.com
- Article: [Intel - American company](#) published by Britannica.com
- Article: [Intel's new smartphone strategy is to quit](#) published by The Verge
- Article: [Cummins Cut Headed off the Japanese](#) published by The Chicago Tribune

**Current business example of adaptive leadership challenges: Intel**

Intel rose to prominence in 1971 with the invention of the microprocessor, which integrated all a computer's CPU onto a single chip. Business boomed as PCs became widespread, and the popularity of the "Intel Inside" marketing campaign bolstered Intel's market dominance. By 2000, Intel held over 80% market share in the PC industry.

However, Intel began to struggle in the 2000s as it failed to adapt to the shift from desktop to laptops, smartphones, and tablets. Competitors such as AMD and TSMC responded with innovative, cost-effective chip solutions, resulting in Intel losing its dominant market share.

Recently, Intel has also struggled to lead in the AI computing space. Competitors such as Nvidia now hold 83% of the AI chip market. The market caps of Intel and Nvidia demonstrate investor confidence: In the first half of 2020, the two companies had similar market caps in the \$200 billion range. By mid-2024, Intel's market cap was under \$100 billion, having lost half its value in four years. Meanwhile, Nvidia's value ballooned to \$3 trillion, a 15-fold increase in that same period.

**Historical business example of adaptive leadership challenges: Cummins**

The following example demonstrates how bold, adaptive action led Cummins to become the world's largest independent diesel engine manufacturer with \$34 billion in annual sales and 75,000 employees.

In the mid 1980s, Cummins was a \$2 billion company subject to volatile financial changes due to the cyclical nature of its key market and profit driver – North American heavy duty diesel engines. While its market share was still over 50%, it had lost market share to American competitors and profit margins were under pressure. Leadership at Cummins recognized that favorable exchange rates could allow Komatsu and other Japanese competitors to enter the North American diesel market with pricing 20% to 30% lower than comparable Cummins engines.

Instead of ignoring this threat or lobbying for international tariffs, Cummins' leaders took decisive action by announcing price decreases of up to 30% across the product line. That required the entire company, stakeholders, and the union to work together to find cost savings. The pricing change was also a catalyst to diversify product offerings beyond the North American heavy-duty engine. That chapter in the company's history reflects an adaptive culture that was willing to identify the elephant in the room and share responsibility for the company's future.