KPMG

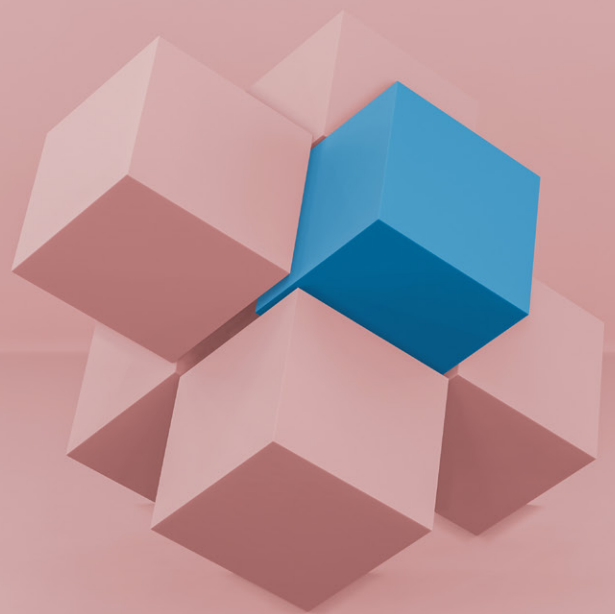# Building Adaptive Capacity

Thriving in a time of amplified disruption
A guide for individuals, leaders
and team members

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Building adaptive capacity – in summary

Presently, the global COVID-19 pandemic is placing immense pressure on organisations and their employees to operate, cope and perform within a hyper-turbulent environment.

Whether this pandemic has increased employee workload and pressure or is forcing organisations to operate virtually, what is common across all businesses is that we are faced with enduring uncertainty about what the future may hold. In understanding the nature of unprecedented change and its impact on people, it is likely that employees are experiencing **aspects of confusion, anger and grief, among other emotions**, straining their ability to cope adaptively in an environment over which they can exert little control. As we move further through the COVID19 pandemic and Australia's response, it is clear that this is a long term challenge. Further to KPMG's guidance on maintaining resilience and protecting the mental health of remote workforces, this paper explores the psychology of building adaptive capacity to not only survive the crisis, but to thrive and become stronger as a result. Recognising this challenge, this guide aims to provide practical, evidence-based strategies to **bolster employees' adaptive capacity in a team**, building resilience now and into the future.

What's the big idea?

In times of hyper-disruption, **the way we cope is strongly tied to our emotional functioning**. High levels of self-awareness, interpersonal awareness, self-control, empathy and emotional maturity help us to withstand the pressure, respond adaptively to setbacks, and when those moments arise, enjoy success with equal parts of joy and humility. In this way, **we can control how individuals and teams adapt to a changing environment**, rather than feeling stuck operating outside our locus of control.

What does research say?

Research shows that **strong emotional functioning, coupled with cognitive intelligence predicts mastery and job performance**. This is largely because emotional functioning enables us to manage our own emotions, the emotions of others, and positively reframe a challenging environment. Specifically, this looks like:

– Being able to achieve results personally

– Achieving interpersonal connection

– Acting with agility

– Reframing paradigms to adjust to the new and evolving situation.

What can you do?

The current guide provides **practical strategies** to build adaptive capacity and ability to positively respond to the COVID-19 pandemic **through achieving results, agility, and reframing paradigms or thinking**. The interventions touch on the following:

– Helping teams to navigate complex decisions

– Reframing challenges

– Analysing factors impacting on performance in uncertainty

– Facilitating team engagement

– Reflecting on your own reactions (both emotional and behavioural).

> *A sense of purpose is crucial at this time to minimise the impact that the hyper turbulent disruption has on our wellbeing and resilience. Purpose helps us "reset" the compass to know where our true north is again."*

STEFANIE BRADLEY, PARTNER IN CHARGE, ENTERPRISE TRANSFORMATION
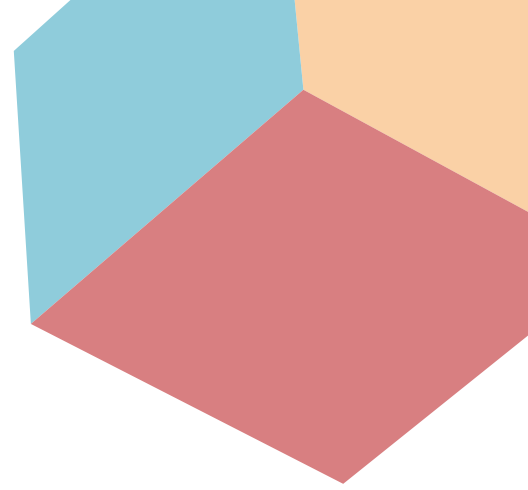
Waking up in a whole new world

The world has been thrust into unchartered waters, with the global COVID-19 pandemic impacting every aspect of our existence – including political, economic, social, technological, regulatory, and environmental impacts as well as the health and wellbeing of people and the planet.

The impact on organisations

Organisations and their employees are being impacted substantially by the unfolding pandemic and many aspects of the world of work are being challenged at their very core.

When organisations embark on internally driven change programs, they are typically in control of the design, timelines, resources and budget, and have a clear definition of success. But, what happens when the change is volatile, uncertain, complex and ambiguous (VUCA), and we do not have a "point of reference" or collective experience to make sense of what is happening to us?

Vastly different experiences

We know from research that people cope differently. Humans use individual and collective experiences as points of reference to make sense of new situations and experiences. Unsurprisingly, the uncertainty and change brought about by COVID-19, coupled with a lack of similar events to draw upon, places immense pressure on leaders, teams and employees, whether it be due to the enduring uncertainty of the future, the need to make quick and sensible decisions, an increased workload, or the need to adopt a new style of working. It can feel very disorientating for staff, let alone for leaders who need to navigate their organisation and teams through the ambiguity.

Mental models and compartmentalisation

Ron Ashkenas, Emeritus Partner of Schaffer Consulting, describes how humans categorise situations and events in order to understand them. Psychologists define compartmentalisation as an efficiency mechanism as well as a strategy we use to reduce the anxiety we feel when we experience a clash of conflicting values or emotions.

We all compartmentalise as a way of organising our lives and thought processes. We are inundated with so much data that it's often easier to mentally file information as "work," "home," or "family," rather than trying to see how it might apply to more than one category. Similarly, we compartmentalise our behaviour when we are in different settings. This pattern of thought and behaviour also allows us to focus on getting a task done at work even when we are worried about something in our personal lives. Finding a relevant "compartment" to organise our thoughts around the COVID-19 pandemic may be hard and may contribute to our levels of anxiety over the uncertainty we face.

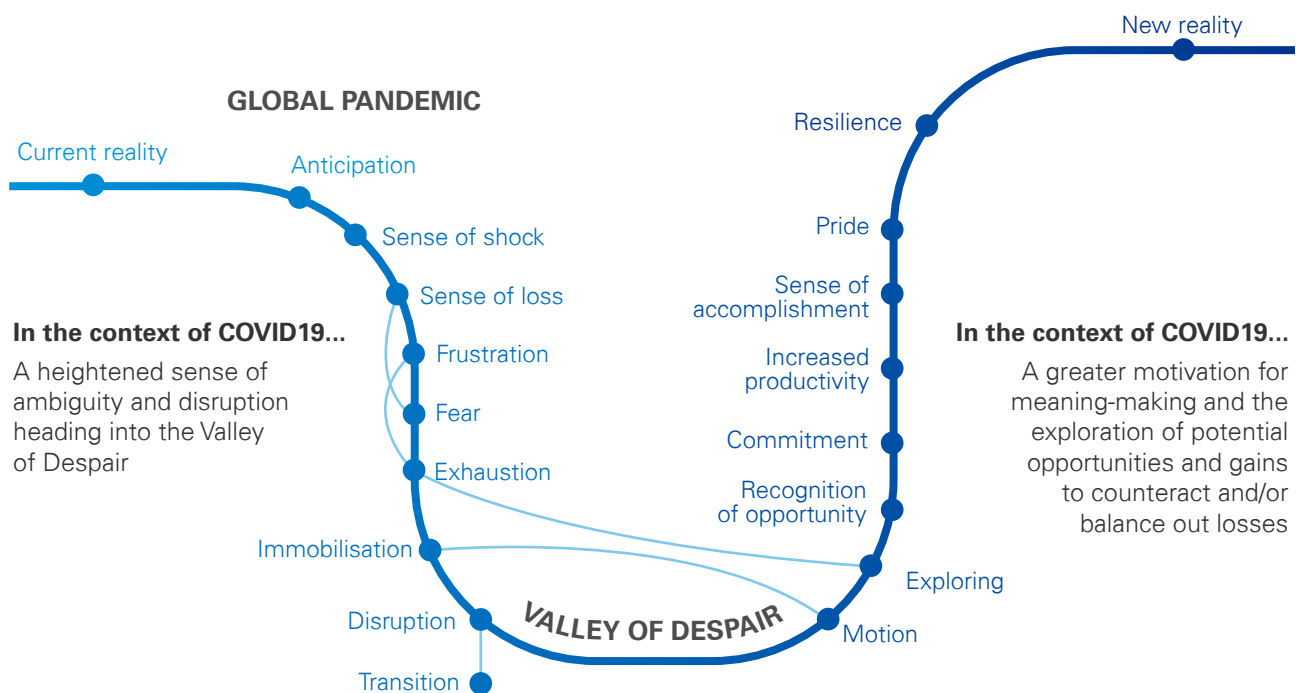## Building adaptive capacity, quickly

Adaptive capacity refers to the ability to adapt in complex and uncertain environments, solve new and unfamiliar problems, and thrive. Building adaptive capacity is one way to cope in the workplace amongst the COVID-19 pandemic.

As we try and make sense of the COVID-19 world, our individual and collective locus of control becomes central to our capacity to cope. If we focus on things we cannot control (external locus of control), it can leave us feeling despondent and frustrated. If we focus on things we can control (internal locus of control), we enable ourselves to reflect on what we can do proactively to cope, to practice self-care and show empathy to those around us. By taking charge, it is possible to find ways to foster mental and emotional flexibility to enhance our adaptive capacity in response to this new world.

Responding to unprecedented change and uncertainty

Research can tell us a lot about how employees are likely feeling on a day-to-day basis amidst this pandemic.

Shown below, **unprecedented changes tend to be met initially with feelings such as anger, resistance, and fear**, which can flow on to a state of despair – characterised by disruption and reduced output. From there, at our own pace, we move towards recognising new opportunities, a state of resilience **and ultimately, the acceptance of a new reality**. Importantly, we can use strategies to speed up the process of accepting new realities.

GLOBAL PANDEMIC

New reality

Current reality

Anticipation

Sense of shock

Sense of loss

Frustration

Fear

Exhaustion

Immobilisation

Disruption

Transition

VALLEY OF DESPAIR

Motion

Exploring

Recognition of opportunity

Commitment

Increased productivity

Sense of accomplishment

Pride

Resilience

In the context of COVID19...

A heightened sense of ambiguity and disruption heading into the Valley of Despair

In the context of COVID19...

A greater motivation for meaning-making and the exploration of potential opportunities and gains to counteract and/or balance out losses

ADAPTED FROM KUBLER-ROSS, 1969 AND BRIDGES, 2004

Moving to a new reality: what does it take?

– Allowing time and space to process what is happening to you.

– Acknowledging your state of mind, emotions and feelings about your situation. Validating your reactions by reminding yourself that this is new, challenging and different, and it is normal to be feeling a range of emotions.

– Accepting that you may be able to take charge of your situation, but also that some things will remain outside of your control.

– Being curious and open-minded about the future by redefining your expectations.

– Exploring what you may need to unlearn and how the strategies you have used in the past may not serve you well in the present situation.

– Surrounding yourself as much as possible with positive people, resources and information.

– Taking positive and meaningful steps.

Methods of coping with the COVID-19 pandemic

There are many ways that we, as human beings, try to cope to a changing or undesirable environment to enable us to move towards a state of resilience and acceptance.

As explained in further detail below, we can use mental models to make sense of change, analyse the context to determine the extent of control we have in the situation, employ stress-management strategies, and seek social support. These efforts are pivotal to enabling us to effectively respond to unprecedented changes, as they represent our adaptive capacity. However, our natural response to coping may not always be effective or available. For instance, given the current barriers to social connection, it is crucial that employees are able to develop their capacity to adapt to the current environment, **in turn, speeding up the process of resilience and acceptance**.
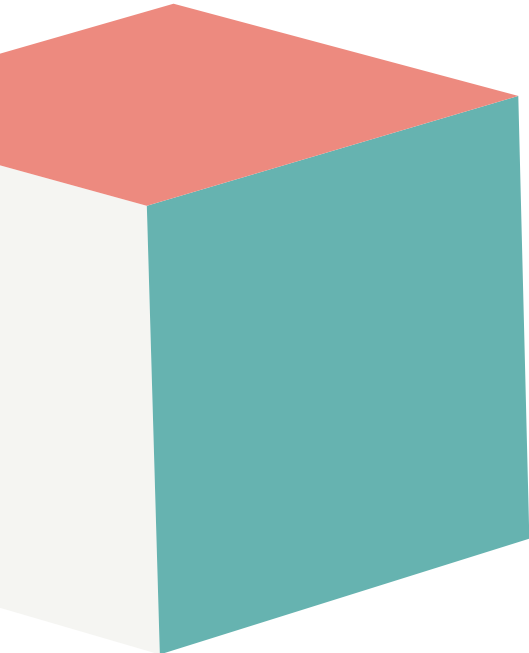
Typical Coping Strategies

MENTAL MODELS

In order to adapt, we often use mental models to create a narrative that explains what we are experiencing. In times of unprecedented disruption, our existing ways of thinking and seeing the world are challenged. We rely on previous experiences to understand the situation **but may not have an applicable frame of reference** to help us to contrast and compare what we are experiencing.

How are you conceptualising the impact on you and your team/colleagues?

LOCUS OF CONTROL

We use a "locus of control", that can be internal (believing you have control over your life) or external (believing your life is controlled by external forces). In the face of a pandemic, some individuals may respond positively through their own actions while others may feel helpless and vulnerable due to everything happening around them.

What do you have control over in this situation?

STRESS-MANAGEMENT STRATEGIES

Rapid change, especially situations thrust upon us at a rapid pace and without warning, usually increase our stress levels. We all have different stress-management strategies and thresholds. Our tolerance levels will determine our emotional and cognitive capacity and the extent to which we positively self-regulate our thoughts and feelings.

What strategies are you employing to manage stress and maintain your personal wellbeing?

SOCIAL SUPPORTS

Our social supports, relationships and interactions are another way of coping during times of pressure and uncertainty. However, not everyone has a strong network. During this pandemic, some may experience isolation, loneliness and a lack of connection.

How are you reaching out to others to share your experience and receive support?

What does all of this mean?

Taken together, the current business climate demands **employees and teams develop and leverage their adaptive capacity** – both to speed up the process of acceptance and to limit adverse feelings and consequences during this time of uncertainty. This means there is an increased need for:

– Authentic expression of concern for people's welfare in our day-to-day interactions

– Building and maintaining trust in the absence of in-person and physical contact

– Practicing self-care, particularly in the context of allowing time for reflection and processing

– Strong and consistent leadership, and the provision of structure and direction amidst the disruption

– Management of unprecedented uncertainty in terms of situational changes and indeterminate time frames.

What happens to teams when the "rhythm is broken"?

Teams take time to establish themselves and find cohesion and a rhythm that leads to performance.

In ordinary times, we have a relatively good grasp on what to expect from the natural team development cycle – from the time that teams form, to experiencing conflict and understanding one another, working out norms and values, developing trust and then delivering results. When unprecedented disruption takes place, the rhythm gets broken on many levels and individuals and the team can become deeply unsettled and even fracture.

What elements of the team get impacted?

GOAL CLARITY

When there is a sudden change in the external and internal environment, the existing goals and the way that goals and expectations are set, understood and aligned to the vision and strategy are impacted.

TEAM STANDARDS OF PERFORMANCE

What constituted good performance in more stable times may not be the same today and a number of elements may have new or different expectations or require different problem solving and decision making, innovation, creativity and risk taking.
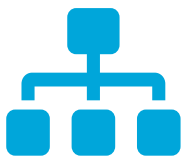
TEAM ROLES (STRUCTURE)

The traditional team structure can change (formally or informally) and roles morph because of changing needs, required skills or the strengths of individuals in a team.

TEAM WAYS OF WORKING AND SOCIAL CONNECTIONS

The typical patterns of interaction at meetings may be disrupted and everything may change: agendas, schedules, face-to-face time, the way we connect socially and even group identity.

What does all of this mean?

As the situation changes, so does the required response. The skills and capabilities, processes and definitions of success are all open to be revisited and confirmed. Questions to consider:

- Are the goals the team is working towards still relevant? Do goals need to be revisited or realigned to the new context?

- Does each team member know the requirements of the role that they perform, and the roles of others?

- Do new roles (informal or formal) need to be developed and agreed?

- How well coordinated are the efforts of the team?

- Do we need to discuss what good performance looks like in this context?

- What are the unique contributions of each member?

- What are the guardrails that define Psychological Safety for team members?

- How should leadership flex to ensure no one gets left behind emotionally?

- Do we need to determine and continue to refine how we engage with one another?

- What actions will you take to support the team's welfare and wellbeing?

- How can you hold people accountable for investing in their wellbeing?

Key considerations to develop adaptive capacity

Developing adaptive capacity involves using all mental, emotional and behavioural strategies as resources. Reflecting on the following four domains can strengthen your ability to cope with amplified uncertainty.
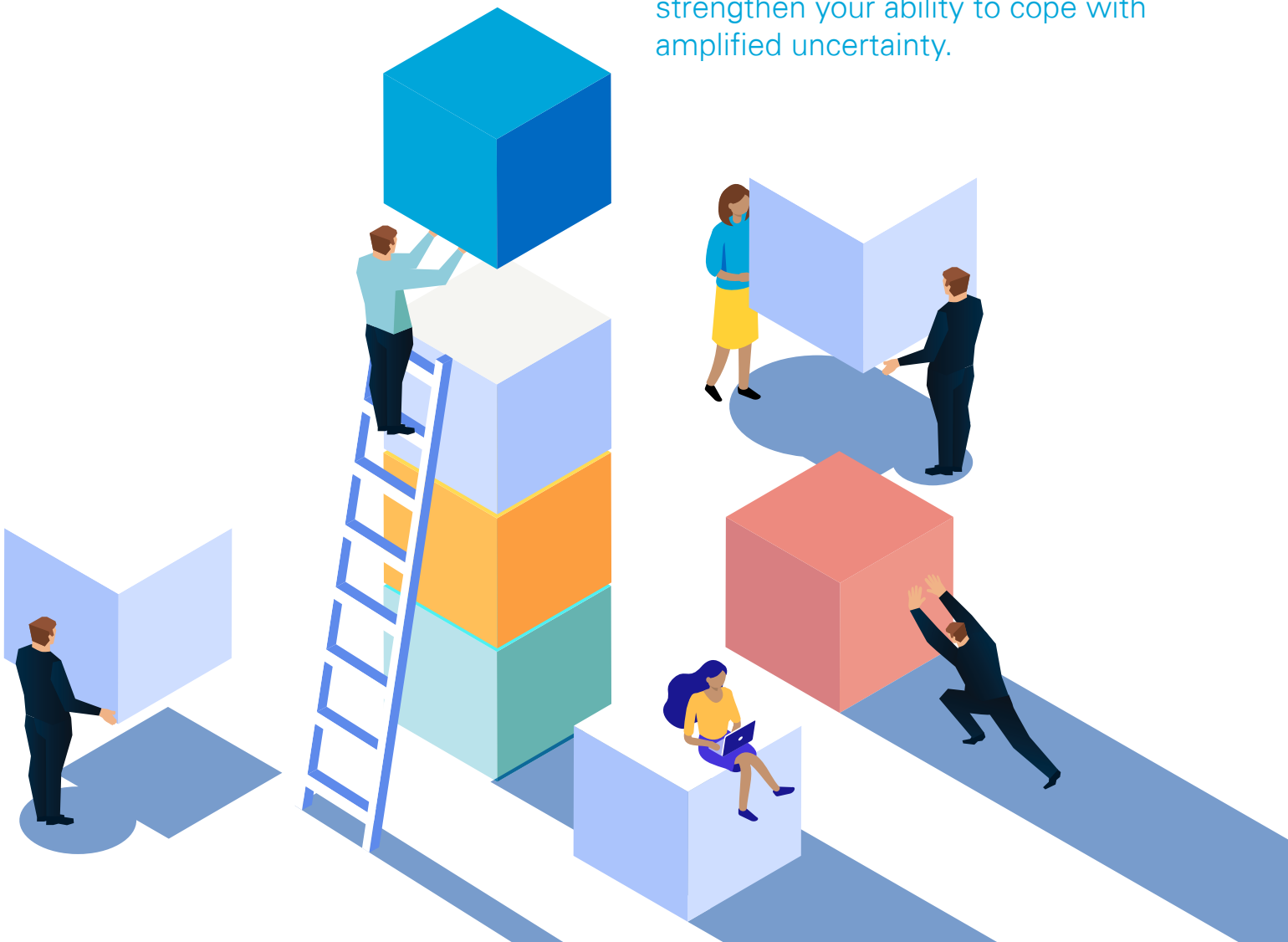
PURPOSE leading to reframed paradigms

Dealing with amplified uncertainty and developing new mental models

WHAT: Being able to deal with complexity, embrace new and unfamiliar problems, and define the purpose.

HOW: Having a high tolerance for uncertainty, reframe challenges as opportunities to learn, adjust, reset, focus on what is important, and inspire others towards a common cause.

POISE leading to personal results

Cultivating requisite self insight and self management strategies

WHAT: Being able to reflect on how the complexity, dynamism and uncertainty is impacting on them and have the courage to share this authentically with others.

HOW: Taking on notice and managing motivations, thoughts, feelings, motivations and behaviour.

PEOPLE leading to interpersonal results

Displaying interpersonal insight and building productive relationships to maintain team connection and a sense of belonging

WHAT: Being able to keep others engaged when things are going well and when things are not going well to maintain a productive, thriving team.

HOW: Embrace new ways of working with collaborative tools as a team and practicing active listening in all interactions whilst working remotely. Engage with disconnected team members in a way that is respectful, transparent and builds trust.

PRODUCTIVITY driving agility

Pivoting rapidly to achieve results that matter

WHAT: Being able to confidently and effectively clarify vague, unstructured and ambiguous information.

HOW: Take charge to champion initiatives and role-model agility to engage and inspire others. Focus on new concepts and ideas, creativity, learning, quick insight, flexibility and intuition.

Adaptive capacity: strategies and outcomes

Adaptive capacity consists of four elements: Purpose, Poise, People and Productivity. Each is equally important in contributing to you and your team's ability to dynamically respond to changing demands. Through targeted strategies, it is possible to realise your own and your team's adaptive capacity.

Purpose

ADDRESS TEAM FRUSTRATIONS AND SHARPEN THE FOCUS ON OUTCOMES

Help to bring clarity and a sense of control to your team when facing a particular challenge.

Reduce the 'noise' around a particular challenge, and focus on what you can control.

CREATE OPTIMAL SOLUTIONS

Draw on the abilities of the group to discover solutions to complex problems whilst avoiding biases.

Harness your creativity and make a valuable contribution to group problem solving.

ARTICULATING YOUR INDIVIDUAL PURPOSE

When you have clarity of purpose, it directs your actions and has a positive impact on wellbeing. Purpose is a key to exceptional performance for leaders and teams especially when faced with a particular challenge or uncertainty.

RE-CALIBRATING YOUR TEAM'S PURPOSE

Guide your team in defining, agreeing and aligning their 'why', 'what' and 'how'.

Contribute to defining and developing a guide for 'what good looks like' in your own team.

Poise

BUILD SELF-INSIGHT INTO OUR UNIQUE WAYS OF THINKING AND FEELING

Use awareness of typical thoughts and feelings to be experiencing during a pandemic, including your own, to understand how the team may be feeling and acknowledge these feelings.

Challenge harmful thoughts and encourage positive thinking by getting to understand your triggers of stress and positive feelings.

BOLSTER YOUR ABILITY TO COPE WITHIN A TURBULENT AND STRESSFUL ENVIRONMENT

Enhance team performance by building your capacity to cope adaptively in stressful environments, focus more effectively and direct the group, also supporting others to improve their self-management.

Build your ability to ruminate less and react more adaptively when exposed to a stressful environment – enabling you to focus on your priorities and pressing matters.

People

INTERPERSONAL INSIGHT INTERVENTION

Leaders can maintain connection with their teams through using collaboration tools. There are clear expectations for teams to follow and leaders to refer back to if teams get off-track. Leaders are clear on how to involve all team members collaborating virtually.

The team is clear on expectations of them in engaging virtually. People feel they've had a chance to contribute to establishing the expectations and display "buy-in" to participating in this way. Sense of belonging is maintained.

RELATIONSHIP BUILDING INTERVENTION

Leaders are connected with each individual in the team and are aware of personal circumstances everyone is experiencing. Trust levels are high and team cohesion is strengthened.

The team works in a more connected way and feels a stronger sense of belonging. Motivation and productivity levels are high. People feel comfortable having conversations to check in with each other when engagement levels decrease.

Productivity
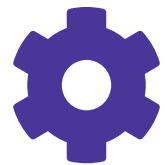
STRUCTURING A FLEXIBLE APPROACH

Allows for greater visibility and flexibility in the achievement of a program of work.

Provides greater clarity and structure to the work performed and its link to achieving the overall problem.

CHANNELING EFFORT TO ACHIEVE HIGH PERFORMANCE

Enables leaders to efficiently diagnose and direct workload to key areas of focus to enhance performance and productivity.

Allows for greater balance, collaboration and support of work being performed.

The outcome of the strategy as experienced by the leader

The outcome of the strategy as experienced by the team

How can we help you?

If you want to know more about how we can support you to build adaptive capacity in your teams or leaders please contact us.

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