



## Project Management Practitioners' Conference 2018

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# Realizing Business Agility with Adaptive Management Practices

Smart Practices

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*By Pranay Chanda*



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## ABSTRACT

The competitive advantage of an enterprise in business today is their ability to sense, adapt and quickly respond to changes in a fragile ecosystems of partners, competitors and consumers.

How do we create exceptional business value and customer satisfaction through continuous strategy formulation and execution through tight feedback loops? How do we make smart investment choices by decoupling budgeting and forecasting from annual goals settings? It requires adaptive mindset and management innovation, loosely coined as adaptive management.

What are new roles needed to apply the adaptive management practices to realize business agility in this disruptive marketplace?

The talk will introduce adaptive management and its components. The need for epic stewards to be accountable for driving the success of epics (or initiatives) working closely with budgetary stewards applying dynamic budgeting and forecasting.

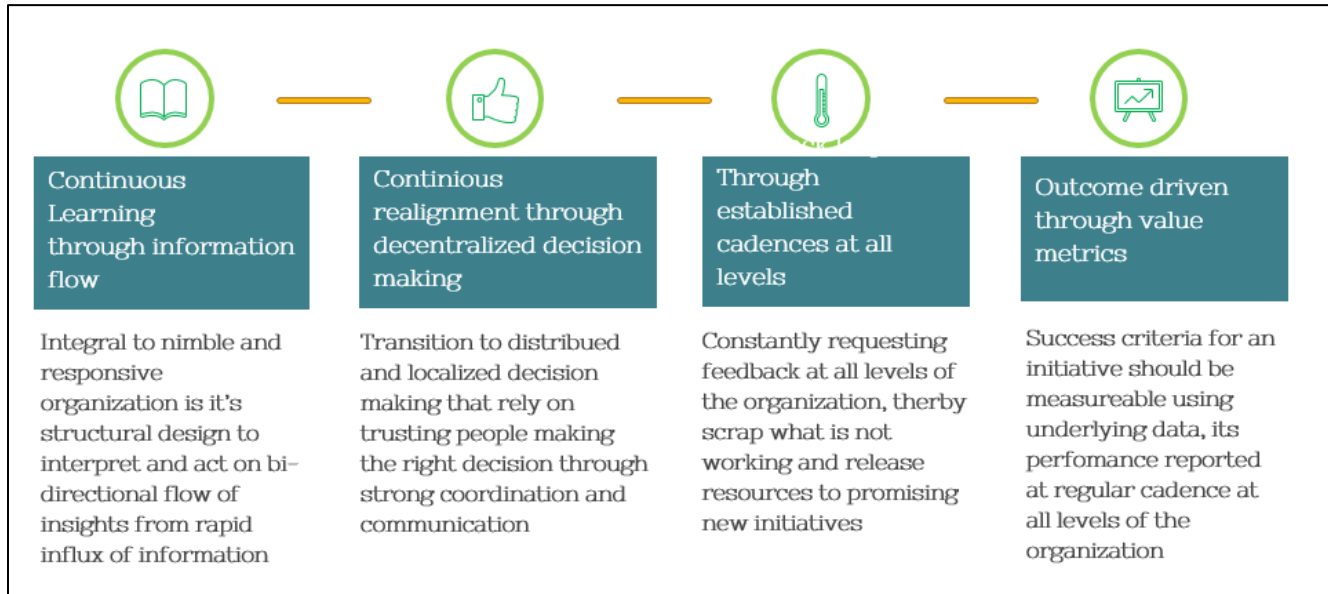
## INTRODUCTION

### **Key Outline / Learning Outcome:**

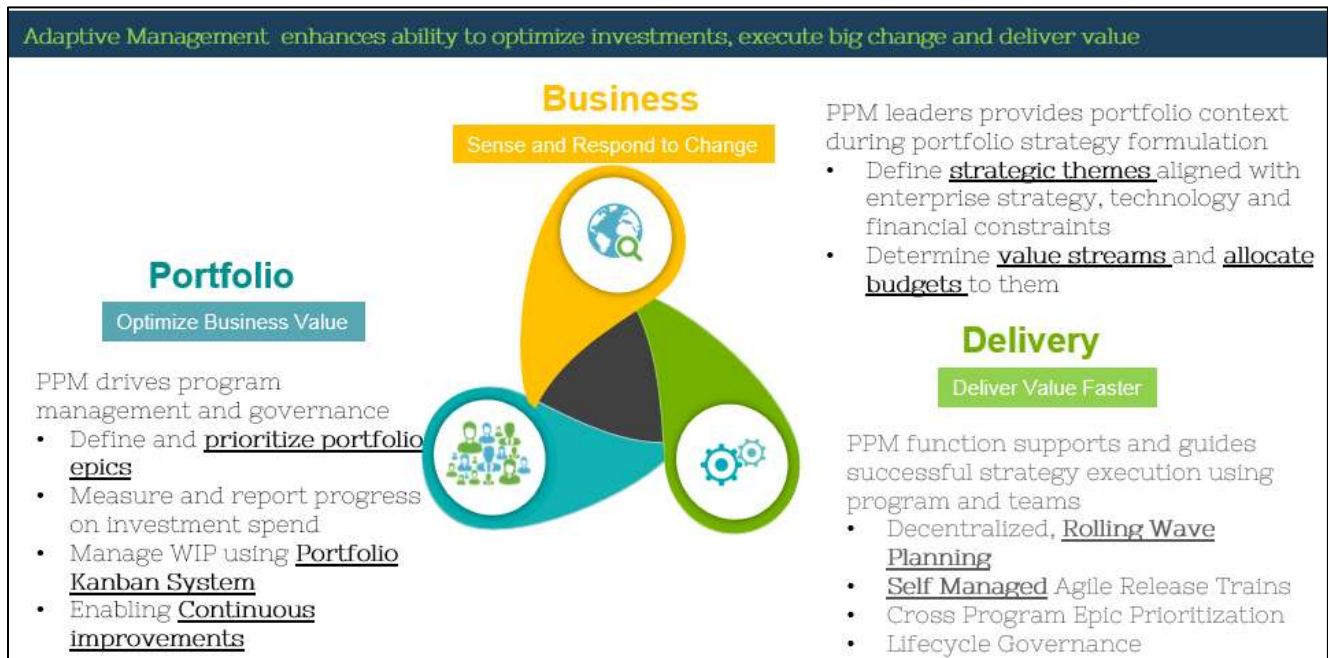
1. Introduction on Adaptive Management
2. Adaptive Management Manifesto
3. Adaptive Management Leadership Roles and Expectations
4. Adaptive Management Continuum with recommended practices that can be operationalized across an enterprise or lines of business

## DETAILS OF THE PAPER

### What is adaptive management?



### Adaptive management connects business strategy and delivery



## What is the Adaptive Management Manifesto?

Adaptive Management principles helps leaders translate strategic aspirational goals into adaptive execution plans

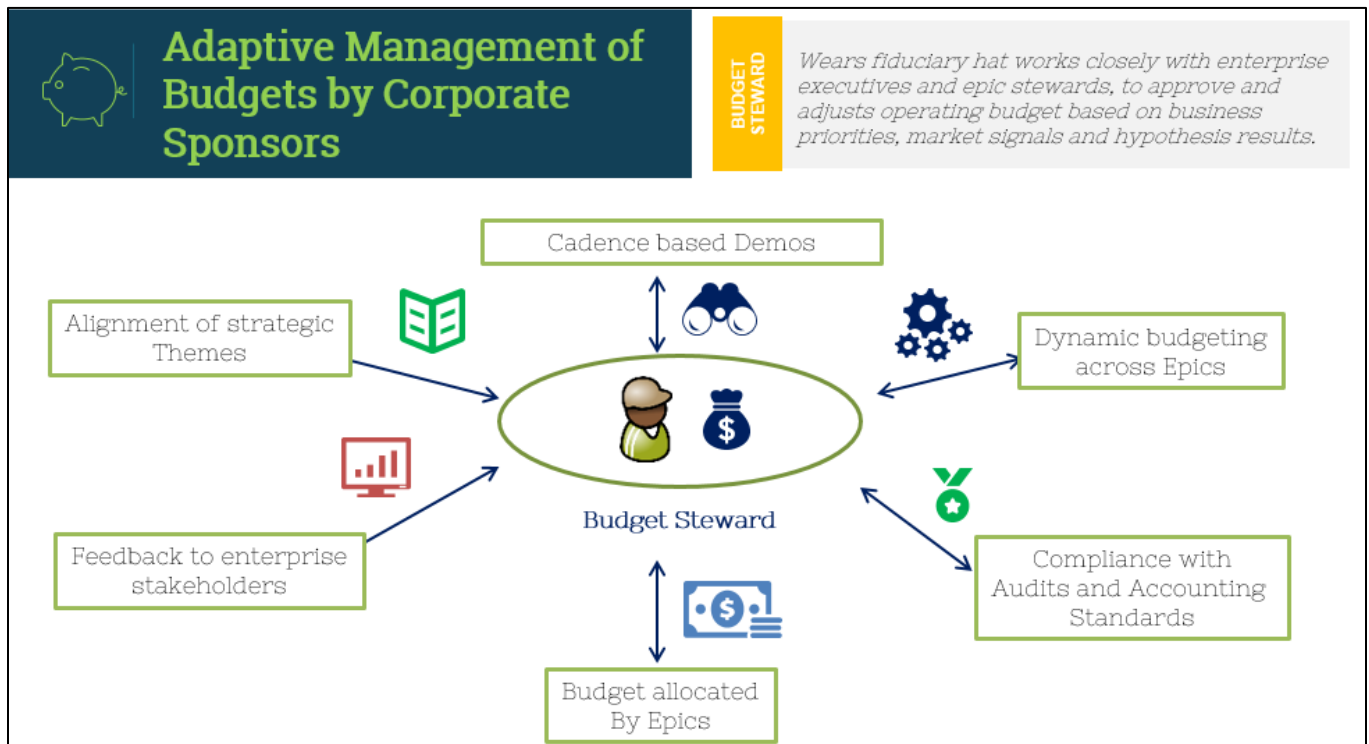
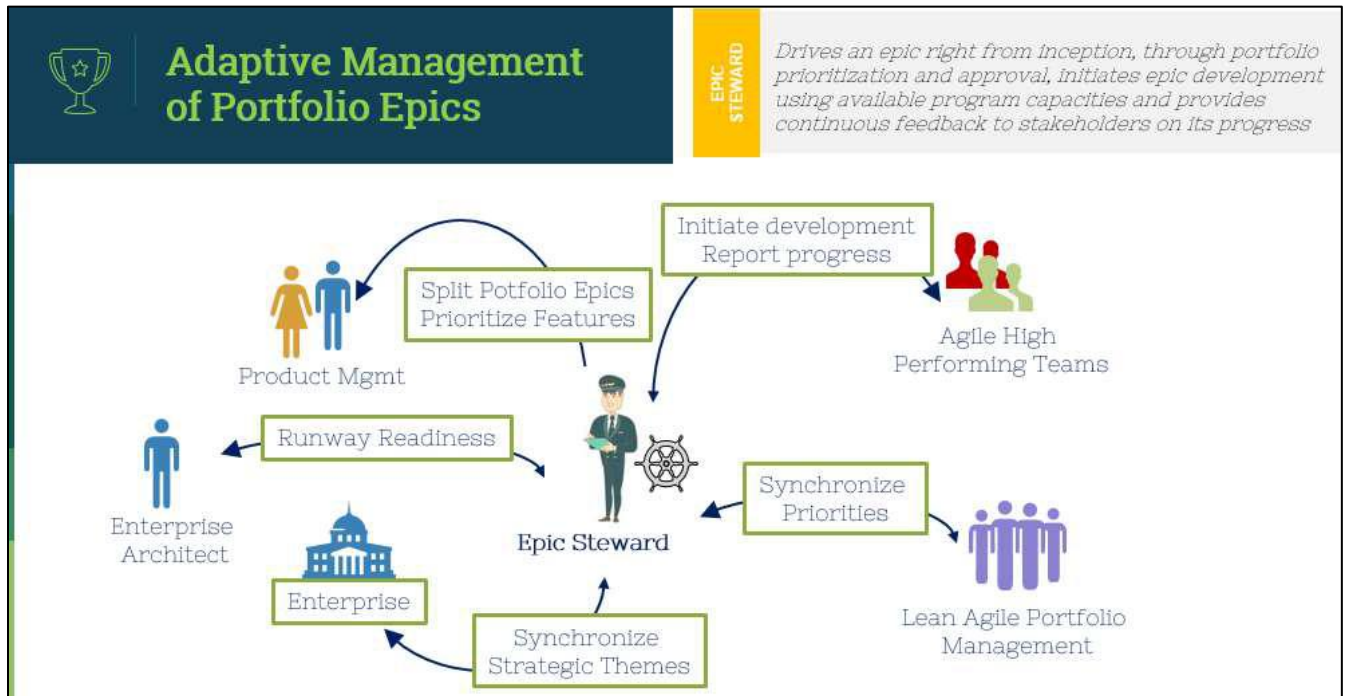
Creating smaller, good enough plans frequently	over	Creating large and overly precise plans upfront	<p><b>Rationale</b></p> <p>It helps you keep pace with speed of business, adapt to internal and external changes</p> <p>It helps you prioritize the work with the biggest impact, allocates the right "resources" to it</p> <p>It helps direct incremental funds where they have the most impact, with frequent re-balancing across the portfolios</p> <p>It helps you coordinates the fast delivery of prioritized work, with value reproritized with changing portfolio context</p> <p>It helps you deliver incremental value in timeboxes with features allocated to teams for delivery</p>
Value delivery through stable and predictable teams	over	Focus on resource utilization and efficiency	
Dynamic budgeting and fiscal governance	over	Funding projects over longer periods of time	
Deliver customer value fast and frequently	over	On time and on budget delivery	
Frequent incremental value delivery	over	Minimizing risks and forecasting returns	

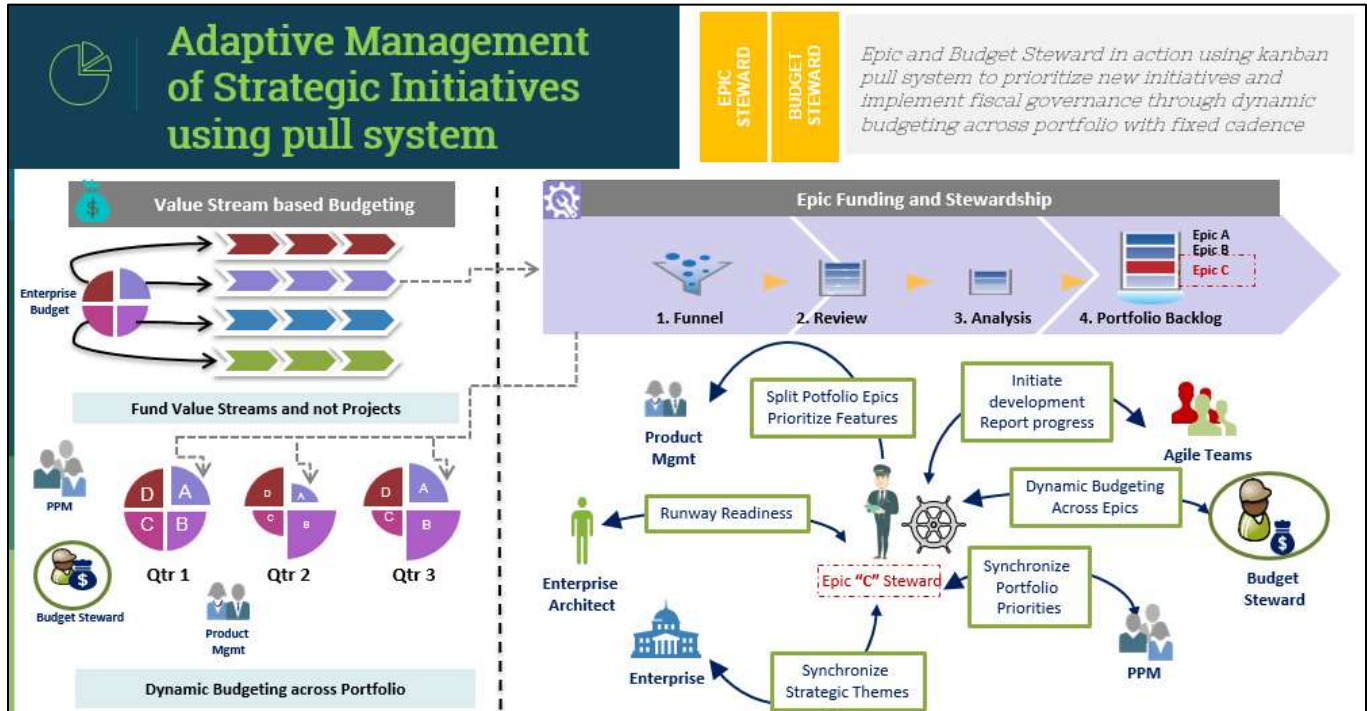
## What is the Adaptive Management Maturity Cycle?

Empower teams to set aspirational goals aligned with strategic initiatives, reduce gaming and waste, promote learning

	<b>BASELINING</b>	<b>ENABLING</b>	<b>GROWING</b>	<b>OPTIMIZING</b>
STAGES				
REWARD TARGET SYSTEM SETTING	<ul style="list-style-type: none"> <li>Annually negotiated fixed internal targets</li> </ul>	<ul style="list-style-type: none"> <li>Each business unit sets its own stretch target relative to internal peers</li> <li>Peer group performance league tables</li> </ul>	<ul style="list-style-type: none"> <li>Set targets based on competitor and market performance</li> <li>Institute internal league tables</li> </ul>	<ul style="list-style-type: none"> <li>Set aspirational goals based on external benchmarks</li> <li>Managers use judgement &amp; take risks</li> </ul>
STRATEGY PROCESS	<ul style="list-style-type: none"> <li>Performance evaluation and rewards linked to fixed targets agreed in advance</li> </ul>	<ul style="list-style-type: none"> <li>Separate target setting from performance and reward</li> <li>Relative performance against internal peers, prev. period growth and profit</li> </ul>	<ul style="list-style-type: none"> <li>Performance evaluation and rewards based on multi level performance (individual, BU and firm)</li> </ul>	<ul style="list-style-type: none"> <li>Performance against external benchmarks</li> <li>Recognition of contribution over financial payouts</li> </ul>
ONE TEAM APPROACH	<ul style="list-style-type: none"> <li>Centralized strategy formulation and planning process</li> <li>Business units are assigned annual goals</li> <li>Operating managers do not have performance responsibilities</li> <li>No quick access to critical resources</li> </ul>	<ul style="list-style-type: none"> <li>Business units participate with corporate in strategy formulation</li> </ul>	<ul style="list-style-type: none"> <li>Establish strategic themes for enterprise alignment</li> <li>Devolve strategy planning &amp; execution to business units</li> </ul>	<ul style="list-style-type: none"> <li>Continuous value creation with agreed strategy, action plans &amp; KPIs</li> <li>Revised rolling forecasts</li> </ul>
KPI	<ul style="list-style-type: none"> <li>Central control realized through compliance against fixed performance contracts</li> </ul>	<ul style="list-style-type: none"> <li>Performance responsibility is transferred to operating managers with KPIs to utilize the resources</li> <li>Establish governance framework that enable leaders to set boundaries and guidelines</li> <li>Set minimum performance standards</li> </ul>	<ul style="list-style-type: none"> <li>Internal market for operational resources (on-demand)</li> <li>Coordinate cross company actions per customer demands</li> <li>Use performance league tables for relative performance tracking</li> </ul>	<ul style="list-style-type: none"> <li>Devolved approval authority for smaller projects</li> <li>Fast track approval of big projects</li> <li>Use rolling forecasts and trend analysis</li> </ul>

## Adaptive Management in Action through Epic and Budget Stewards





## Finally, the Adaptive Management Continuum

### Prioritize Epic Level Initiatives

- Based on current epics completed and accepted, new or existing epics are prioritized and funded by budgetary reserves within the value stream

### Adjust Portfolio Strategic Themes

- PPM is accountable for portfolio performance and investment decisions
- Based on KPIs achieved, revise or create new strategic themes aligned to enterprise strategy
- Adjust resource allocations based on prioritization decisions

### Fiscal Governance and Dynamic Budgeting

- Portfolio Fiduciary stakeholder's reviews progress and adjust the value stream budgets within the portfolio

- The budgetary spend is linked closely to performance of epics implemented within the value stream

### Conduct Solution Demos and Roadshows

- It is cadence based event where high
- profile stakeholders come together to view the progress of the solution
- Primary mitigator of investment risk for the value stream
- In Roadshow of integrated solutions, the portfolio fiduciaries and stakeholders review portfolio progress and make budgetary decisions

## CONCLUSION

Adaptive management leadership and practices promote continuous integration of strategy formulation with execution of the strategy through programs and teams. It removes annual budgeting with fixed targets, moves the decision making to local teams who are closer to the customer, allows dynamic budgeting of initiatives based on performance and ensures the resources are working on epics that maximizes value to the customer.

Adaptive management is a continuum that requires experimentation of new ideas, the willingness to try and learn from failures, how do you leverage persistently funded teams instead of thinking as projects, how do you apply the value metrics at the portfolio level to make smart investment decisions quickly.

## REFERENCES

- [1] <https://www.infoq.com/news/2011/02/highsmith-adaptive-leadership>
- [2] <https://www.scaledagileframework.com/>