Realizing Business Agility with Adaptive Management Practices

Smart Practices

PMIBC-18-04-004

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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
What is adaptive management?

Adaptive management connects business strategy and delivery

Adaptive Management enhances ability to optimize investments, execute big change and deliver value

PPM leaders provide portfolio context during portfolio strategy formulation:
• Define strategic themes aligned with enterprise strategy, technology and financial constraints:
• Determine value streams and allocate budgets to them

PPM function supports and guides successful strategy execution using program and teams:
• Decentralized, Rolling Wave Planning
• Self Managed Agile Release Trains
• Cross Program Epic Prioritization
• Lifecycle Governance

PPM drives program management and governance:
• Define and prioritize portfolio epics
• Measure and report progress on investment spend
• Manage WIP using Portfolio Kanban System
• Enabling Continuous improvements

DETAILS OF THE PAPER

What is adaptive management?

Continuous Learning through information flow
Integral to nimble and responsive organization is its structural design to interpret and act on bi-directional flow of insights from rapid influx of information

Continuous realignment through decentralized decision making
Transition to distributed and localized decision making that rely on trusting people making the right decision through strong coordination and communication

Through established cadences at all levels
Constantly requesting feedback at all levels of the organization, thereby scrap what is not working and release resources to promising new initiatives

Outcome driven through value metrics
Success criteria for an initiative should be measurable using underlying data, its performance reported at regular cadence at all levels of the organization
What is the Adaptive Management Manifesto?

<table>
<thead>
<tr>
<th>Adaptive Management principles helps leaders translate strategic aspirational goals into adaptive execution plans</th>
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<tbody>
<tr>
<td>Creating smaller, good enough plans frequently</td>
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<tr>
<td>Value delivery through stable and predictable teams</td>
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<tr>
<td>Dynamic budgeting and fiscal governance</td>
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<tr>
<td>Deliver customer value fast and frequently</td>
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<td>Frequent incremental value delivery</td>
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Rationale

- It helps you keep pace with speed of business, adapt to internal and external changes.
- It helps you prioritize the work with the biggest impact, allocates the right "resources" to it.
- It helps direct incremental funds where they have the most impact, with frequent re-balancing across the portfolio.
- It helps you coordinates the fast delivery of prioritized work, with value re-prioritization with changing portfolio context.
- It helps you deliver incremental value in timeboxes with features allocated to teams for delivery.

What is the Adaptive Management Maturity Cycle?

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

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<th>STAGES</th>
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<tr>
<td><strong>BASELINING</strong></td>
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**BASELINING**
- Annually negotiated fixed internal targets
- Performance evaluation and rewards limited to fixed targets agreed in advance
- Centralized strategy formulation and planning process
- Business units are assigned annual goals
- Operating managers do not have performance responsibilities
- Central control realized through compliance against fixed performance contracts

**ENABLING**
- Each business unit sets its own stretch target relative to internal peers
- Peer group performance league tables
- Separate target setting from performance and reward
- Relative performance against internal peers, peer, period growth and profit
- Business units participate with corporate in strategy formulation
- Performance responsibility is transferred to operating managers with KPIs to utilize the resources
- Risk-based governance framework that enable leaders to set boundaries and guidance
- Set minimum performance standards

**GROWING**
- Set targets based on competitor and market performance
- Institute internal league tables
- Performance evaluation and rewards based on multi-level performance (individual, BU and firm)
- Establish strategic themes for enterprise alignment
- Develop strategy planning & execution to business units
- Internal market for operational resources (as demand)
- Coordinated cross-company actions per customer demands
- Use performance league tables for relative performance tracking

**OPTIMIZING**
- Set aspirational goals based on external benchmarks
- Managers use judgment & take risks
- Performance against external benchmarks
- Recognition of contribution over financial payoffs
- Continuous value creation with agreed strategy, action plans & KPIs
- Revised rolling forecasts
- Delegated approval authority for smaller projects
- Fast track approval of big projects
- Use rolling forecasts and trend analysis

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Adaptive Management in Action through Epic and Budget Stewards

Adaptive Management of Portfolio Epics

- Adaptive Management of Portfolio Epics: Drives an epic right from inception, through portfolio prioritization and approval, initiates epic development using available program capacities, and provides continuous feedback to stakeholders on its progress.

- Epic Steward: Initiates development, report progress.

- Agile High Performing Teams: Synchronize Priorities.

- Lean Agile Portfolio Management: Designate budget as per requirements.

Adaptive Management of Budgets by Corporate Sponsors

- Adaptive Management of Budgets by Corporate Sponsors: Wears fiduciary hat, works closely with enterprise executives and epic stewards, approves and adjusts operating budget based on business priorities, market signals, and hypothesis results.

- Cadence based Demos: Budget aligned by epics.

- Alignment of Strategic Themes: Feedback to enterprise stakeholders.

- Dynamic budgeting across epics: Compliance with Audits and Accounting Standards.
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