Pranay K Chanda
Realizing Business Agility with Adaptive Management
What is Adaptive Management?

Adaptive Management Manifesto Values

Adaptive Management Leadership Mindset

Adaptive Management implemented through innovative management structures, roles and practices

Adaptive Management Adoption Stages
What is Adaptive Management?

Flexible and adaptable targets, forecast, continuous planning scenarios

Continuous realignment through decentralized decision making

Transition to distributed and localized decision making that rely on trusting people making the right decision through lean agile portfolio management

Continuous Learning through information flow

Integral to nimble and responsive organization is it’s structural design to interpret and act on bi-directional flow of insights from rapid influx of information

Sense and respond through real time value metrics

Success criteria for a value stream should be measureable using underlying data, its performance reported at regular cadence by long-lived network of front-line and delivery teams

Continuous enablement of enterprise’s strategic intent through clarity, structures, policies and measures
Adaptive Management Manifesto

Creating smaller, good enough targets and rolling forecast

Creating big and fixed targets & performance contracts upfront

Value delivery through stable and predictable teams

Focus on resource utilization and efficiency

Dynamic budgeting and fiscal governance

Funding projects over longer periods of time

Deliver customer value fast and frequently

On time and on budget delivery

Frequent storytelling of enterprise’s vision and purpose

Limiting the strategic goals and participation to senior executives

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 portfolios

It helps you coordinates the fast delivery of prioritized work, with value reprioritization due to changing portfolio context

It helps build a shared vision, empower teams, attract and retain best talent

Adaptive Management value statements help translate strategic aspirational goals into adaptive execution plans
Adaptive Management Leadership Mindset

- Provide clear principles and boundaries
- Bind people to common purpose and shared values

- Change from functional mind-sets (follow the budget) to team-based mind-sets (satisfy the customer)
- Constantly review the relative targets reflecting short term improvements

- Build network type organization model to bring collective expertise together and provide solutions for customers
- Encourage teams to share action based information across the business

- Managers grow into their new roles and confidence matures

- Champion relative Performance and not fixed performance contracts.
- Foster balance of internal competition, cooperation and profit sharing

- Challenge assumptions and risks rather than develop
- Empower teams to make decisions and make them accountable for delivering results

- Create network of small, customer-oriented teams that foster entrepreneurial attitudes
- Front-line teams do not wait for annual planning cycle to come around

- Support open and ethical information systems that provide “One truth” throughout the organization
- Set High Ethical Standards for treatment of numbers, it’s crucial to share bad news without delay

* Based on Beyond Budgeting Book – Jeremy Hope and Robin Fraser
Flexible and adaptable targets, forecast and continuous planning scenarios

Continuous review of feedback and performance at all levels, thereby scrap what is not working
Flexible targets and rolling forecast tied to two levels of performance cycles

**Medium-Term Strategic Cycles “Steering Business”**
- Commercial market
- Market attractiveness
- Competitive position
- Review performance outlook and decide further action
- Set 5 year goals
- Capital Expenditure parameters
- Key value drivers, strategic actions, and business plans
- Economic profitability
- Growth

**Short-Term Operating Cycle “Managing Business”**
- Structure and resources
- Organizational architecture
- Review performance through KPIs
- Manage targets & forecasts through reporting systems
- Corrective actions plans, risks, and opportunities
- Run and manage the execution of action plans
- Continuous update strategic themes
- Relative performance monitoring and incentive compensation
- Managed performance

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* Beyond Budgeting – Jeremy Hope and Robin Fraser
Adaptive portfolio budgeting and strategic theme prioritization
Adaptive strategic theme decomposition cross program epic prioritization

Strategic Theme Review

Program Epics Approval

Revert to PPM Leadership for approval

Global Epic Prioritization

When will we deliver it?

Epics Grouped By MVP

Cross-Program Epics Prioritized

Kanban Portfolio Pull

Quarterly Cycles

Lean-Agile Portfolio Management

Portfolio Backlog

Risk and Issues reported to PPM Leadership

Engagement Review

MVP Definition

How should we deliver it?

Gates

Review Checkpoint

* Scaled Agile Framework – Portfolio Configuration
Continuous learning through adaptive management practices

Shared knowledge leveraged through open and fast information flow
What are the barriers to continuous learnings and tree of knowledge?

**Structural Barriers**
- Knowledge Nerve Center: Provides enterprise memory, use technology to connect teams and help share their practices and experiences.
- Empowered Teams: Promote the culture of self-organized teams responsible for delivering business value via working software.
- Empowered Community of Practice: Build core competencies.
- Empowerment backlog: Change epics with actionable measures that improve and scale practices to the rest of the enterprise.
- Focus on results through sense of urgency: Agility is enabler of superior business performance. Quantify the results and measure the affects of transformation.
- Experimentation & Risk Taking: Keep asking teams to improve.

**Fear of Failure**
- People need to rest, climb and learn under the tree of knowledge.

**Political Barriers**
- Status Quo
- Time Constraints
- Structural Barriers
- Political Barriers

**People need to rest, climb and learn under the tree of knowledge.**
Adaptive leadership practices that drive continuous learning

Domain and Process Experts
- Distinguished coaches, scholars as domain and technology experts

Sponsorship and Leadership
- Helps prioritize the learning improvement backlog and remove impediments.
- Provide leadership to change initiative as enterprise owner

Learning Execution & Governance
- Monitor day to day running of Learning initiatives
- Measure success using backlogs and actionable measures
- Work with portfolios and programs to breakdown high level improvement epics into implementable epics

Epics for Coaching and Nerve Center
- Prioritize backlogs for coaching nucleus and knowledge nerve center
- Establish MVP across different groups

Measure Performance Improvement
- Balanced score card on learning initiatives
- Recognize people’s achievement and performance in specific practice area
Adaptive management structures that drives continuous learning

Transformation Office
- Improvement Backlog
- Program Champion
- Team Champion
- Product Owner
- Team Backlog

Coaching Nucleus
- Program Backlog
- Coaching Backlog
- Product Owner
- Team Backlog
- Scrum Master
- Coach First Chair
- Coach Second Chair
- Enterprise Agile Coach

KnowHub Nerve Center
- KnowHub Backlog
- Program Backlog
- Team Backlog
- Product Owner
- Scrum Master
- Scholar First Chair
- Scholar Second Chair

Portfolio (1..N)
- Learning, Execution & Governance
- Community of Practice
- Product Mgmt
- Analytics
- Mobile
- Microsoft

Adaptive Learning Leadership Team
Continuous realignment through decentralized decision making

Make right decision at right time with new roles and expectations
Adaptive management of Portfolio
Epic prioritization and implementation

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.
Dynamic management of budgets by corporate sponsors

Wears fiduciary hat works closely with enterprise executives and epic stewards, to approve and adjust operating budget based on business priorities, market signals and hypothesis results.

Budget Steward

- Alignment of strategic themes
- Feedback to enterprise stakeholders
- Budget allocated by Epics
- Cadence based Demos
- Dynamic budgeting across Epics
- Compliance with Audits and Accounting Standards
Epic and budget stewards working together on funding and prioritization

Value Stream based Budgeting

Fund Value Streams and not Projects

Dynamic Budgeting across Portfolio

Epic Funding and Stewardship

1. Funnel
2. Review
3. Analysis
4. Portfolio Backlog

Split Portfolio Epics
Prioritize Features
Runway Readiness
Initiate development
Report progress
Dynamic Budgeting
Across Epics
Synchronize Portfolio Priorities
Synchronize Strategic Themes

Enterprise Architecture
Enterprise
Budget Steward
Agile Teams
Product Mgmt
PPM

Qtr 1
Qtr 2
Qtr 3

Budget Steward

PPM
Sense and respond through real time value metrics

Adaptation is about knowing how the market is changing by synthesizing complex insights to make actionable decisions quickly.
Truth about Metrics

You can’t manage what you don’t measure

What you measure can be gamed

There is such a thing as measuring too much

Lose metrics that leave you paralyzed

You will not stay with the metrics that you started with

Focus on only a few at a time - ALWAYS
Consider a launch of new product “YourPal”, a contactless point of sale solutions for mom and pop stores

<table>
<thead>
<tr>
<th>Investment Period</th>
<th>1 Year</th>
<th>2 Year</th>
<th>3 Year</th>
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<tbody>
<tr>
<td>Epic - iCIM</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
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<tr>
<td>Epic - iCart</td>
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<td>$100,000.00</td>
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<tr>
<td>Epic - iIntegratedPay</td>
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<tr>
<td>Epic - IFlexSearch</td>
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<td>$100,000.00</td>
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Assume a discounted rate of 5%, zero intangible benefits

Based on projected NPV/point we find that top two features that product team should prioritize are iCart and IFlexSearch.
Using Program predictability measure to measure real value delivered by teams

Based on agreed economic framework to measure business value, assign value 10 to highest ranking feature/epic, all remaining are assigned a relative value.

<table>
<thead>
<tr>
<th>Objectives for PI 3</th>
<th>Business Value</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Plan</td>
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<tr>
<td>- Structured locations and validation of locations</td>
<td>8</td>
</tr>
<tr>
<td>- Build and demonstrate a proof of concept for context images</td>
<td>8</td>
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<tr>
<td>- Implement negative triangulation by tags, companies and people</td>
<td>10</td>
</tr>
<tr>
<td>- Speed up indexing by 50%</td>
<td>10</td>
</tr>
<tr>
<td>- Index 12 billion more web pages</td>
<td>7</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td><strong>Stretch Objectives</strong></td>
<td></td>
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<tr>
<td>- Fuzzy search by full name</td>
<td>7</td>
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<tr>
<td>- Improve tag quality to 80% relevance</td>
<td>4</td>
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<tr>
<td><strong>Totals:</strong></td>
<td>50</td>
</tr>
<tr>
<td><strong>% Achievement:</strong></td>
<td>90%</td>
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At end of a release, measure actual cash inflows as it happens and periodically update the actual relative value across feature or epic, an achievement of more 80% is strong indicator achieving business value.
Recommended CIO Level Organizational Metrics

**Goal**
- Intentional Innovation
- Frequent Value Delivery
- High Satisfaction
- Optimum Business Partnership
- Technical Debt Index
- Tools Index
- IT Spend Across Agile Maturity
- Training Compliance

**What**
- Tracks # of ideas that make it past the 1st and 2nd stage of approval
- # of releases, value planned and delivered
- Internal and customer satisfaction scores
- Variance to target % of "Ready" stories in the backlog
- Cumulative # of open defects
- % of test code coverage through automation (unit and functional)
- Spread of Agile projects across different levels of maturity
- % of Trained Team Members against target

**Why**
- Besides the obvious, innovation encourages creativity and an avenue to expand skill sets
- Driving value to the customer is one of main goals for an IT organization
- A positive culture is a corner stone for any sustainable transformation
- Each portfolio must be measured against the need it has for a healthy backlog
- Quality has huge impact on customer experience with the product
- The shorter the feedback cycle, the quicker time to respond
- Agility brings practices that enable to pivot to changing market condition
- Knowledge is the building block of an organization’s transformation journey
Adaptive Management Adoption Stages

**APPROACHING**
- Annually negotiated fixed internal targets
- Performance evaluation and rewards linked to fixed targets agreed in advance
- Centralized strategy formulation and planning process
- Operating managers do not have performance responsibilities
- Learning is tactical in response to events
- Central control realized through compliance against fixed performance contracts

**GROWING**
- Each business unit sets its own stretch target relative to internal peers
- Separate target setting from performance and reward
- Business units participate with corporate in strategy formulation
- Performance responsibility is transferred to operating managers with KPIs to utilize the resources
- Focused on training excellence, through governance and design

**SUSTAINING**
- Set targets based on competitor and market performance
- Performance evaluation and rewards based on multi-level performance (individual, BU and firm)
- Establish strategic themes for enterprise alignment
- Internal market for operational resources (on-demand)
- Talent development is a core competency measured by KPIs

**OPTIMIZING**
- Set aspirational goals based on external benchmarks
- Performance against external benchmarks
- Continuous value creation with agreed strategy, action plans & KPIs
- Devolved approval authority for smaller projects
- Use rolling forecasts and trend analysis

*Beyond Budgeting* by Jeremy Hope and Robin Fraser
THANKS!

Any questions?

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