



The Adaptive Organization 2018

A BENCHMARK OF CHANGING APPROACHES
TO PROJECT MANAGEMENT

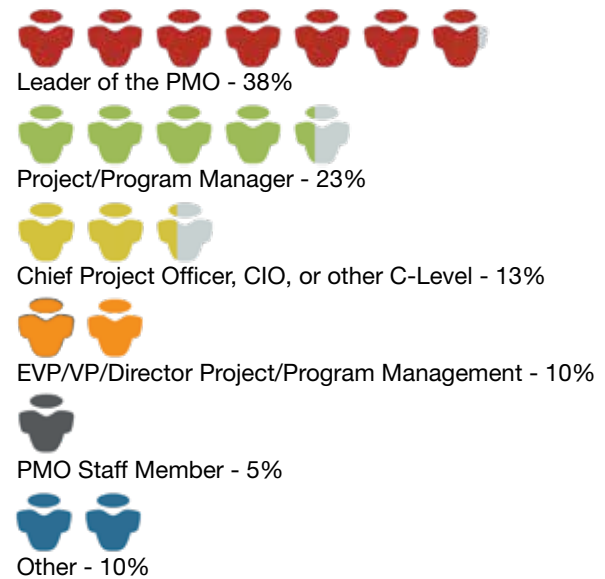
Introduction

PROJECT MANAGEMENT PRACTICE is in the midst of a sea change. Adaptive methods that once occupied a specialist niche are being mainstreamed in response to a competitive climate that demands greater flexibility, more transparency, and faster results. The new emphasis on adaptive methods in PMI's *PMBOK® Guide* (see Important Definitions on page 3) provides an additional nudge for organizations to formalize their experiments with new approaches to planning, tracking, risk, change management, and benefits realization in an agile world.

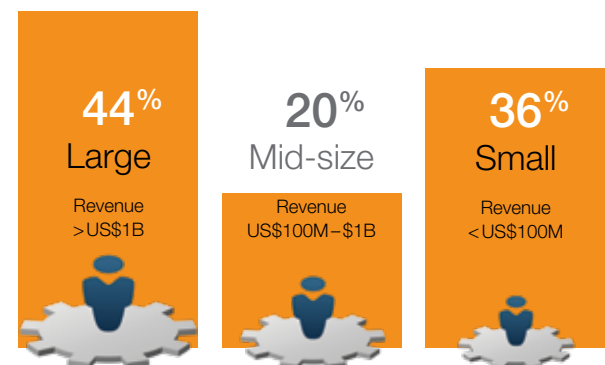
ABOUT THE SURVEY

- » Total number of respondents: 191
- » Survey respondents are more likely to be the leader of the PMO (38%) than someone holding any other position in the organization, and the largest percentage of respondents are reporting on either the whole enterprise (28%) or the IT function (27%). Most (48%) are also reporting on all types of projects. Those reporting on specific types of projects are mostly reporting on IT/software projects (31%) or strategic projects (24%).
- » We compare results about respondents' capability in using the various approaches in two ways: by the percentage of companies that rate themselves as highly capable, as well as by the actual score they assigned themselves (on a scale of 1-5, with 5 being very capable). This allows us to cross-tabulate the data in a wide variety of ways.
- » Company size makes little difference in the use of adaptive/hybrid practices except that small companies are much more likely to use detailed estimates for short-term planning horizons in a just-in-time fashion than mid-size or large companies.

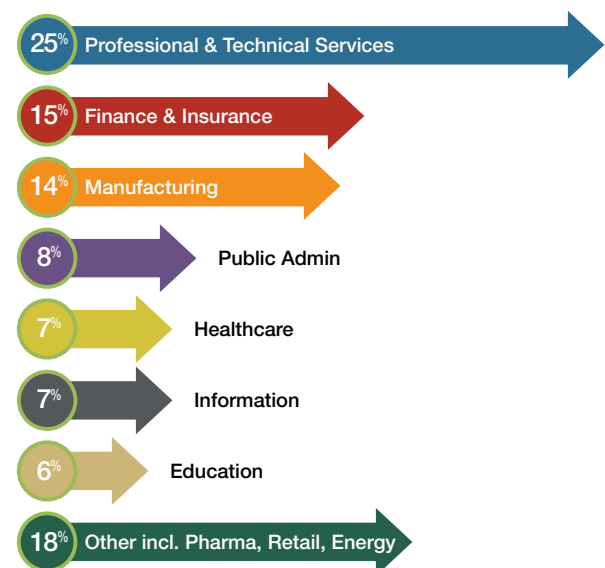
RESPONDENTS BY TITLE



RESPONDENTS BY SIZE OF FIRM



RESPONDENTS BY INDUSTRY



Slowly Speeding Up

Organizations Experiment with Adaptive Approaches

ALTHOUGH 84% OF THE RESPONDENTS in the study report using adaptive or hybrid approaches, they appear to be making the shift cautiously. Presently only about half their projects (55%) use these methods.

Organizations understand that they are not particularly mature at using adaptive or hybrid project management (they average 2.6 based on 5 levels of maturity). In fact, 85% of organizations are at levels 2 or 3 in maturity. They report that the biggest challenge regarding the implementation of projects that use adaptive approaches is the lack of skills/experience. They leverage their higher capability with predictive project management by employing hybrid approaches, which the study shows work better than predictive or adaptive approaches alone. More capable organizations also employ contracted resources more often to assist them in both managing adaptive/hybrid projects and providing training in these practices. Breaking out the practices of IT organizations in particular, they are more likely to leverage the use of contracted resources for hybrid/adaptive projects: 58% of them employ contracted resources to manage or support these types of projects, a much higher percentage than that reported overall.

IMPORTANT DEFINITIONS

Traditional (predictive or waterfall) approaches to project management: Requirements are identified in as much detail as possible upfront; the project deliverables are defined at the beginning of the project and delivered as a single final product/service/result at the end of the project timeline; change is constrained as much as possible; key stakeholders are involved at specific milestones; risk and cost are controlled by detailed planning based on known requirements and constraints; used for done-before projects with well-understood procedures – projects with low levels of execution uncertainty and risk (production of a car, electrical appliance, or homehouse/building).

Adaptive (agile, iterative, and incremental) approaches to project management: Requirements are elaborated frequently or at periodic intervals based on short, iterative planning and executing cycles; deliverables are subsets of the overall product/service/result and occur frequently; change is incorporated in real-time or at periodic intervals during delivery; key stakeholders are regularly involved; risk and cost are controlled by progressively elaborating the plans with new information as requirements and constraints emerge; used for new design, problem-solving, not-done-before projects, as well as those with high rates of change, complexity, and risk (software development, new product design, research, performance improvement).

Hybrid approaches to project management: Adaptive and traditional approaches are mixed depending on the project context. Those elements of the project that are well known or have fixed requirements follow a predictive development life cycle, and those elements that are still evolving follow an adaptive development life cycle (for example, a project may use adaptive practices in the development stage but use traditional practices in the rollout stage; or using both adaptive practices, such as short iterations, daily standups, and retrospectives, and traditional practices, such as upfront estimation, work assign, and progress tracking).

SOURCE: A Guide to the Project Management Body of Knowledge (PMBOK® Guide), 6th Edition, Project Management Institute, 2017

SUMMARY FINDINGS

- » Most organizations use adaptive or hybrid approaches to project management for about half of their projects.
- » Hybrid approaches work better than predictive or adaptive approaches alone.
- » Organizations are not particularly mature in using adaptive/hybrid approaches.
- » No particular adaptive/hybrid project management practices are used to a great extent by most organizations.
- » High-performing organizations are more likely to have a PMO that's responsible for managing/supporting projects that use adaptive approaches.
- » The adaptive capability of leaders and team members is a key success factor for projects that use adaptive approaches.
- » Almost half of organizations use contracted resources to manage projects that use adaptive approaches or to provide adaptive training.
- » One hundred percent of high-performing organizations engage in adaptive project management training.
- » The biggest challenge facing organizations is the lack of skills and experience with adaptive approaches.

Adaptive, Hybrid, or Predictive?

Hybrid approaches to project management work better than predictive or adaptive approaches alone.

HYBRID APPROACHES (a mix of predictive and adaptive approaches) work better (rating 3.6 on a scale of 1 to 5) than predictive approaches (3.4) or adaptive approaches (3.2) alone. More organizations report that the hybrid approaches work well or very well (54%) than predictive (44%) or adaptive (35%) approaches alone. Significantly more organizations rate themselves capable or very capable in using predictive approaches (68%) than in using hybrid (39%) or adaptive (33%) approaches.

- » The percentage of projects in small companies using adaptive or hybrid approaches (66%) is higher than average.
- » Finance/insurance companies are far more likely to report that hybrid approaches work well or very well than companies from other industries.
- » Manufacturing organizations rate their capability in using adaptive approaches (3.4) higher than those from other industries.
- » Organizations with high adaptive/hybrid capability are particularly better than average at facilitating organizational learning in adaptive approaches. They are best at striving to deliver what's needed and keeping a pulse on customers (4.0).

TOP 5 ADAPTIVE BEST PRACTICES

Determined by cross tabulating their frequency of use with organizational performance scores

1	All projects have a charter with a project vision and a clear set of working agreements
2	Organization encourages empirical measurement, small experiments, and learning
3	Leaders and team members work in a safe, honest, and transparent environment
4	Communicating evolving and emerging details is done frequently and quickly
5	Regular stakeholder reviews

The Human Factor

THE ADAPTIVE CAPABILITY OF LEADERS and team members is a key success factor for projects that use adaptive approaches; this may be why almost half of organizations use contracted resources to manage projects that use adaptive approaches or to provide adaptive training.

We asked respondents to rate the capability of their leaders and team members in using various approaches. Not surprisingly:

- » More organizations with highly capable leaders report that hybrid approaches (78%) and adaptive approaches (51%) work well or very well. And organizations with highly capable leaders report higher capability in using hybrid approaches (3.9) and adaptive approaches (3.8) than average.
- » More organizations with highly capable team members report that hybrid approaches (80%) and adaptive approaches (50%) work well or very well.
- » Organizations with highly capable team members are more capable in using hybrid approaches (3.8) and adaptive approaches (3.6) than average.
- » Organizations with highly capable team members are more mature than average (3.1), with 23% of them at levels 4 or 5.

Organizations with highly capable leaders and those with highly capable team members use standard adaptive/hybrid techniques more than average, and significantly more than those with low capability leaders. The most used practices by organizations with highly capable personnel are:

- » Frequently and quickly communicating evolving and emerging details.
- » Work is done in a safe, honest, and transparent environment.
- » Stakeholder reviews are held regularly to promote communication with management and shareholders.

In most organizations, project managers play their traditional role in leading the team (71%), facilitating team collaboration (67%), and aligning stakeholder needs (65%). But in high-performing organizations, project managers are more likely to remove organizational barriers (65%) and encourage the distribution of team responsibilities (59%) than those in most organizations.

TOP LEADER CAPABILITIES

Promoting safety, respect,
and trust

Listening well

Promoting collaboration and
conversation within teams and
between teams

TOP TEAM MEMBER CAPABILITIES

Being highly collaborative

Taking responsibility and
accountability

Embracing a growth mindset
(believe they can learn new
skills)

One hundred percent
of high-performing
organizations engage
in adaptive project
management training.

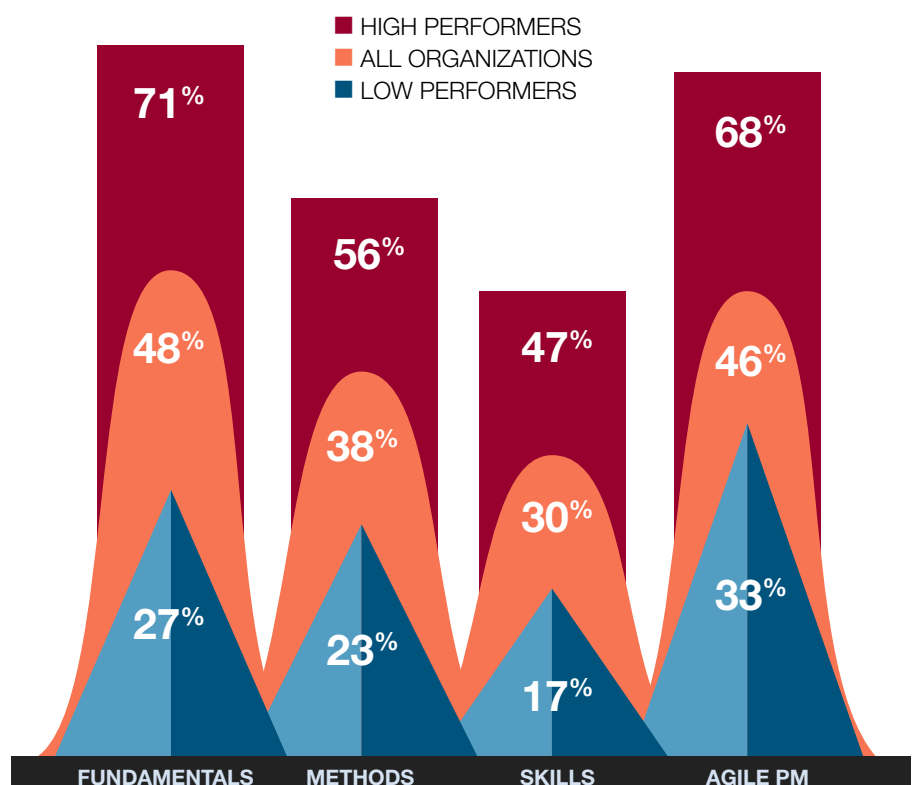
Finally, we asked participants how they prepare their team members to employ adaptive or hybrid approaches. Most organizations (90%) engage in some sort of adaptive project management training. Fundamentals of adaptive mindset and principles and agile project management are courses most often taught: 59% of organizations offer training in using specific adaptive techniques, such as Scrum and Lean.

- » A significantly higher percentage of organizations with highly capable leaders teach the fundamentals of adaptive mindset and principles (71%) and adaptive project management skills (50%).
- » A significantly higher percentage of organizations with highly capable team members teach agile project management (74%) and the fundamentals of adaptive mindset and principles (71%).

Almost half (47%) of organizations use contracted resources to provide training on the use adaptive approaches to project management. A higher percentage of organizations with a PMO (50%) use contracted resources to provide adaptive training than those without a PMO (42%).

ADAPTIVE PM-RELATED TRAINING

Percentage of organizations offering training in Fundamentals of Adaptive Mindset and Principles, Overview of Adaptive Methodologies, Adaptive Project Management Skills, and Agile Project Management



Performance

ORGANIZATIONS REALIZED AVERAGE RESULTS on all 12 measures of performance based on using adaptive project management approaches (see “How We Measure Performance” below) – in general they were not particularly great in any of the measures, nor were they particularly poor. Organizations performed best on the following measures:

- » Projects are aligned to the organization’s strategy (3.23 on a scale of 1 to 5)
- » Projects achieve agreed-upon quality of delivery (3.22)
- » Project customers are satisfied (3.2).

Their poorest performance was in allocating project resources optimally (2.7).

ADAPTIVE PROJECT MANAGEMENT IN HIGH-PERFORMING ORGANIZATIONS

Significantly more high performers report that hybrid approaches (81%) and adaptive approaches (68%) work well or very well. Also, the percentage of projects in high-performing organizations using adaptive or hybrid approaches (64%) is higher than average.

- » High performers are much more capable in using adaptive approaches (3.6).
- » A greater percentage of high performers rate their predictive (83%), hybrid (63%), and adaptive (54%) capability at 4 or 5.
- » High performers are more mature than average (3.1), but still not significantly more mature (83% of them are at levels 2 or 3).
- » High-performing organizations are more likely to have a PMO that’s responsible for managing/supporting projects that use adaptive approaches.
- » One hundred percent of high-performing organizations engage in adaptive project management training.

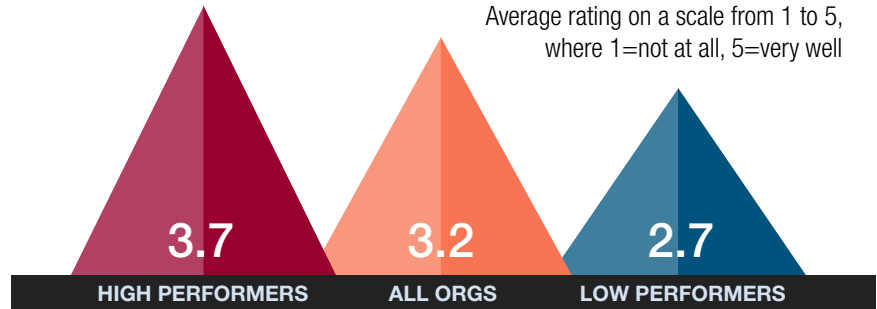
Organizations are poorest at allocating project resources optimally.

HOW WE MEASURE PERFORMANCE

We measured how well organizations realized beneficial results by using adaptive approaches to project management on a scale of 1 to 5, where 1=to no extent and 5=to a very great extent. The measures of performance were team satisfaction, stakeholder satisfaction, customer satisfaction, organization satisfaction, resource allocation, strategic alignment, project benefits, business value, time-to-market, priority management, quality, and productivity. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

ADAPTIVE SUCCESS RATE

Extent that adaptive approaches work.
Average rating on a scale from 1 to 5,
where 1=not at all, 5=very well



High-performing organizations are best at striving to deliver what's needed and keeping a pulse on customers.

- » A significantly higher percentage of high-performing organizations than average teach the fundamentals of adaptive mindset and principles (71%) and agile project management (68%).
- » A much higher percentage of high-performing organizations (58%) than average use contracted resources to provide adaptive training, especially much higher than low performers (24%).
- » On the 12 organizational performance measures, high performers are best at satisfying project customers (4.2) and achieving an agreed-upon quality of project delivery (4.2).

High performers use standard adaptive/hybrid techniques more than average, and significantly more than low performers. The most used practices used by high performers are:

- » All projects have a project charter with a project vision and clear set of working agreements (4.1).
- » The organization encourages empirical measurement, small experiments, and learning (4.0).
- » Leaders and team members work in a safe, honest, and transparent environment (4.0).
- » Communicating evolving and emerging details is done frequently and quickly (4.0); and regular stakeholder reviews promote communication with management and shareholders (4.0).
- » High performers are particularly better than average at coordinating adaptive training courses, coaches, or mentors (3.7); developing and implementing standards for using adaptive approaches (3.7); and facilitating organizational learning in adaptive approaches (3.5). They are best at striving to deliver what's needed and keeping a pulse on customers (3.8).

PMOs Rule

A MAJORITY OF ORGANIZATIONS HAVE A PMO that's responsible for managing/supporting projects that use adaptive approaches (65%), but that percentage is significantly lower than those reporting that they have a PMO in prior research (85%, *The State of the PMO 2016*). But, a higher percentage of respondents reporting on their whole enterprises have PMOs that are responsible for managing/supporting projects that use adaptive approaches (76%).

Organizations with PMOs rate their capability with the various approaches more highly than those with no PMO, across the board. A higher percentage of those with PMOs score themselves at level 4 or 5 capability for each of the approaches: 77% score at Levels 4/5 on predictive approaches vs. only 49% of organizations with no PMO, and this pattern holds for the other approaches: 47% vs. 27% on hybrid approaches, and 35% vs. 27% on adaptive approaches. Also, more (76%) high-performing organizations place the responsibility for managing or supporting hybrid/adaptive projects with the PMO.

Large companies (75%) and finance/insurance companies (77%) are more likely to have PMOs that are responsible for managing/supporting projects that use adaptive approaches.

Organizations with a PMO show a slightly better performance overall than those without a PMO (3.2 vs. 2.9).

Company size makes little difference in PMO practices except that small companies are much more likely to choose which project management approach is most appropriate for delivering the product, service, or result than mid-size or large companies.

A higher percentage of organizations with a PMO (49%) use contracted resources to provide adaptive training than those without a PMO (39%).

Organizations with PMOs are much more likely to engage in the following practices than those without PMOs:

- » The team and key stakeholders hold short, daily standup meetings to discuss achievements and issues of the previous day and plans for the current day's work.
- » Multi-tiered contracts are used, including a master agreement for fixed items, a schedule of services for items subject to change, and a lightweight statement of work for dynamic items such as scope, schedule, and budget.

TOP 5 PMO BEST PRACTICES IN USING ADAPTIVE APPROACHES

1	Strives to deliver what's needed and keeps a pulse on customers
2	Provides adaptive/hybrid tools and templates
3	Operates like a consulting business, tailoring its efforts to meet specific needs
4	Develops and implements standards for using adaptive approaches
5	Coordinates adaptive training courses, coaches, or mentors

Adaptive Project Management Practices and Techniques

THERE ARE NO ADAPTIVE/HYBRID PROJECT MANAGEMENT PRACTICES in particular that are used to a great extent by most organizations. The most used practices (based on a scale of 1 to 5) are:

- » All projects have a project charter with a project vision and clear set of working agreements (3.5).
- » Team members determine how plans and components should integrate (3.3).
- » Control of the detailed project planning and delivery is delegated to the team (3.3).
- » Stakeholders are invited to project meetings and reviews (3.2).

High performers, organizations with highly capable leaders, and organizations with highly capable team members use standard adaptive/hybrid techniques more than average, and significantly more than low performers.

The adaptive techniques most used by organizations are Scrum (67% of organizations), followed by Lean (49%), and Kanban (38%). Other techniques are used by fewer than 20% of organizations.

- » Large companies are more likely to use Scrum.
- » Finance and insurance companies are far more likely to use Scrumban, and manufacturing organizations are far more likely to use Rapid Application Development than organizations from other industries.

No adaptive/hybrid project management practices in particular are used to a great extent by most organizations.

Challenges

FOUR PRIMARY CHALLENGES are faced by more than half of all organizations, regarding the implementation of projects that use adaptive approaches:

- » Lack of skills/experience with adaptive approaches (67%)
- » Organizational culture at odds with adaptive approaches (56%)
- » Inconsistent processes and practices across teams (51%)
- » Organizational resistance to change (51%).

High performers and low performers are faced with the same challenges, although low performers experience more challenges, particularly in the areas of inadequate management support and sponsorship (62% vs. 18%) and insufficient training and education (71% vs. 29%). These are the same challenges that are encountered to a much higher degree in organizations with low capability leaders and/or low capability teams.

The top challenge regarding the implementation of projects that use adaptive approaches is the same for organizations whether they have a PMO or not: lack of skills/experience with adaptive approaches.

TOP 5 ADAPTIVE CHALLENGES

1	Lack of skills/experience with adaptive approaches
2	Organizational culture at odds with adaptive approaches
3	Inconsistent processes and practices across teams
4	Organizational resistance to change
5	Insufficient training and education

Looking Forward

AS ORGANIZATIONS CONTINUE TO EXPERIMENT WITH, and expand application of, hybrid/adaptive approaches, we can expect to see capability improve. To leverage these findings within your own organization, pay particular attention to the role of the PMO as described by study participants, the practices of high performers, and the impact on performance described by those organizations who invest in developing highly capable leaders and teams.



About PM Solutions

PM Solutions is a project management services firm helping organizations apply project management and PMO practices to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- » PMO transformation
- » Project portfolio management process improvement
- » Program and project management resources
- » Corporate project management, agile, and leadership training through our training division, PM College®

About PM College

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