right lane

Think. Plan. Do.

by dr marc levy

Three practices of agile resource allocators

Right thinking

In response to a persistent challenge experienced by many of our clients – how to allocate resources more flexibly – we propose three practices of agile resource allocators. By re-anchoring the budget each year, reprioritising frequently and managing capacity with agility, organisations can allocate resources where they are needed, when they are needed there.

The widespread use of the term 'agility' in business, appears to have come about in the mid-to-late 1990s as a reaction to complexity; in the last decade it has become pervasive as an organising discipline in software development. More recently, it has spread to other domains, notably (from our vantage point) to strategy and resource allocation.

Right Lane started writing about agile strategy, ways of working and resource allocation nearly six years ago (Levy & Hardy, 2014), based on projects we had completed in the years prior to that. Despite some advances since (Levy, 2018), one question that resonated with our clients then remains pertinent today:

How can we allocate resources more flexibly – with less friction – to where they are really needed, when they are needed there?

It's obvious *why* we should answer this question, as to do so will increase speed and responsiveness and reduce waste. But for many of our clients a compelling, and enduring answer to this question has been elusive. Below we propose three practices of agile resource allocators for organisations looking for solutions.

1. Re-anchor the budget each year

Lovallo and Sibony (2014) described a budgeting scenario well-known to most CFOs: '… it was a long, exhausting process that was not particularly effective. As the presenters showed you their plans, you probably challenged every number and explored every assumption … but if you're honest, you have to admit that each unit's final budget for next year looked a lot like the one its managers proposed at the beginning of the budget process—which in turn wasn't much different from … the previous year.'

There are obvious and compelling arguments in favour of de-anchoring from last year's budget when setting this year's: there is a need to take an enterprise view to today's challenges; the accelerating pace of change requires a more nimble reallocation of people and money; the literature on zero-based budgeting is nearly 50 years old!

Despite these points, intractable mindsets get in the way. In some organisations, executives are preoccupied by a 'use it or lose it' mentality; in others, the budgeting process remains driven from the bottom, with executives feeling the need to defend their patches.

Organisations beset by these difficulties must move towards building the budget from the ground up every year and in the process provide greater comfort to their boards that their budgets are robust to contemporary realities.

Potential pay-off: A budget that gives your board the confidence that management's ask embodies give and take. In addition to spending more in some areas that require it, you will spend less in others that don't, as emphases change to reflect the issues and challenges facing the organisation now.

2. Re-prioritise frequently

Initiative prioritisation can be tricky, particularly for organisations in rapidly evolving industries with large project portfolios. We've found that our clients have become much more systematic and practiced at it, by, for example, striking a more sustainable balance between the urgent and important, better squaring effort and impact, and being alive to the power of sequencing.

Where organisations often fall down, however, is in the frequency and robustness with which they review and re-prioritise initiatives and projects, and the extent to which they take a total portfolio perspective when they do so.

We've found that using a 'suped-up' version of an old facilitation framework, 'start, stop, continue, change', quarterly, in concert with financial reforecasting, gets funds moving within and between departments, to where they are most needed.

To increase confidence in re-prioritisation, we are strong proponents of one, shared, source of truth: an integrated benefits realisation framework, with all initiatives and projects contributing in one or more ways to the same set of consistently defined value drivers (Levy & Chhikara, 2018).

Including out-of-cycle investment requests gives added significance to agile re-prioritisation. Managers should pitch for resources from the available funding pool – including funds made available from initiatives and projects that have been dialled down or turned off – to support project needs that arise outside the planning and budgeting cycle.

Organisations can further 'supe-up' re-prioritisation by training participants on decision biases that inevitably restrict re-prioritisation.

Potential pay-off: A portfolio of initiatives and projects, and associated resource allocation, that makes sense today and reflects the fact that management did not, and cannot, have 20:20 foresight when setting the budget.

3. Manage capacity with agility

We've observed before that projects are winning the battle for resource allocation: organisations are increasingly 'standing up teams' to get important things done rather than relying on staff in fixed roles to deliver projects in their spare time (Levy, 2018).

More organisations will look like professional services firms, with a higher proportion of their people being flexibly deployed and redeployed.

Many of our clients are continuing to add resources to their PMOs to meet project needs as they arise. Senior executives and executive teams are taking ownership of these increasingly prominent bodies of work and spending more time on them. Organisational leaders are 'bellying up' to the idea that some of their best people might be more effectively employed as flexible problem solvers rather than in conventional job roles.

With more people on projects, agile resource allocators have moved from waterfall to agile project management in order to improve performance. In doing so they have reframed project planning – moving from fixed scope, with variable timelines and resources, to variable scope (scope 'grooming', iterations based on feedback loops, etc.) with fixed resources and timelines (Aljaber, 2019) – aiming to increase productivity and cycle time and reduce cost.

Potential pay-off: Managing capacity with agility leads to a more engaged and productive workforce, that gets things done faster, with clearer line of sight to the strategy.

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That we should substantially do what we did last year, or marry our initiatives, or hire people for indefinite permanent roles that may not be of enduring importance, should be harshly scrutinised in light of the accelerating pace of change.

We advise clients to re-anchor the budget each year and to re-prioritise frequently. Not everything that made sense in April or May of the previous year, when the budget was fixed, makes sense now. Further along, management probably needs to change the scope of some initiatives and projects and stop or start others. And, we advocate managing capacity with agility: with unrelenting, and increasing, pressure on budgets, organisations need to constantly optimise the impact of their most important asset, their people.

> **We advise clients to re-anchor the budget each year and to re-prioritise frequently.**

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want to know more?

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We employ our distinctive ideas and processes, and our absolute commitment to delivery, to help clients we care about pursue their inspiring missions.

We work alongside clients who do great work within the sectors they operate, and we are excited to be involved in creating outcomes that truly make a difference.

We are an ethical consulting firm with a strong belief in the work we do, and with a passion to give back to the broader community with the skills and expertise available within our walls.

Right Lane was established in 1997 to help private, not for profit and public sector clients to clarify and accelerate their future plans. Over the past 22 years, we have helped the executive teams and boards of around 300 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

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