

Lean Portfolio Management Demystified

Practical Patterns for Amplifying the Impact of SAFe



targetprocess

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Speakers



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Introducing the **Lean Enterprise**

The Lean Enterprise is a thriving digital age business that delivers competitive systems and solutions to its customers in the shortest sustainable lead time.



The world's leading framework for enterprise agility

SAFe® for Lean Enterprises is a knowledge base of proven, integrated principles, practices, and competencies for Lean, Agile, and DevOps

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Moving to Lean Portfolio Management

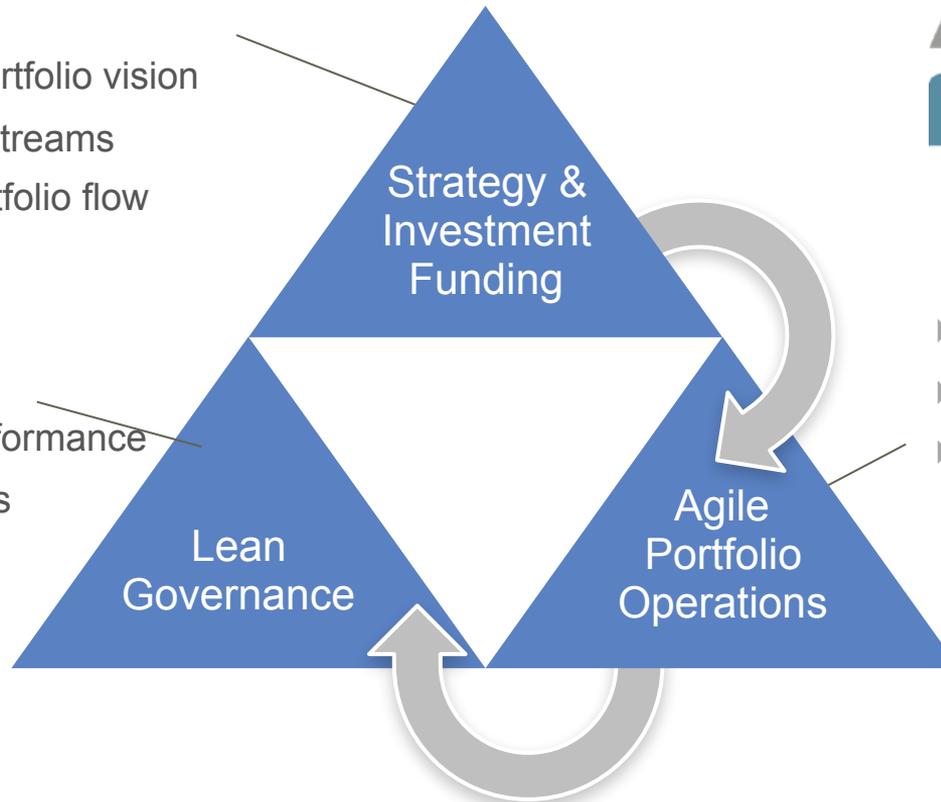
SAFe provides transformational patterns to move from traditional mindsets to Lean Portfolio Management.

From traditional approach		To Lean-Agile approach	
#1	Centralized control	➔	Decentralized decision-making
#2	Project overload	➔	Demand management; continuous value flow
#3	Detailed project plans	➔	Lean, epic-only business cases
#4	Centralized annual planning	➔	Decentralized, rolling-wave planning
#5	Work breakdown structure	➔	Agile estimating and planning
#6	Project-based funding and control	➔	Lean budgeting and self-managing Value Stream
#7	Waterfall milestones	➔	Objective, fact-based measures and milestones

Responsibilities of LPM

- ▶ Connect the portfolio to enterprise strategy
- ▶ Maintain a portfolio vision
- ▶ Fund Value Streams
- ▶ Establish portfolio flow

- ▶ Forecast and budget dynamically
- ▶ Measure portfolio performance
- ▶ Coordinate continuous compliance



- ▶ Coordinate value streams
- ▶ Support program execution
- ▶ Drive operational excellence

Connect the portfolio to enterprise strategy



The role of Lean Portfolio Management



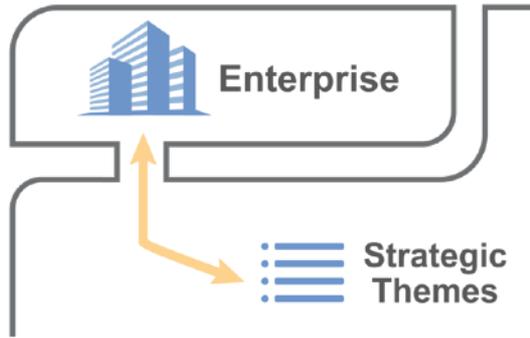
“Most strategy dialogues end up with executives talking at cross-purposes because ... nobody knows exactly what is meant by **vision** and **strategy**, and no two people ever quite agree on which topics belong where.

That is why, when you ask members of an executive team to describe and explain the corporate strategy, you frequently get wildly different answers. We just don't have a good business discipline for converging on issues this abstract.”

—**Geoffrey Moore**

Bestselling Author, Consultant and
Disruptive Technology Specialist
[@geoffreymoore](https://twitter.com/geoffreymoore)

Connect the portfolio to the enterprise strategy



Strategic Themes connect to the strategy

- ▶ Differentiation from the current state to the desired future state
- ▶ A collaboration between LPM and the larger enterprise
- ▶ Provides context for portfolio vision, lean budgeting, and decision-making

Examples (for Retail e-commerce company):

- ▶ Appeal to a younger demographic (18-30)
- ▶ Reduce warehousing cost by 50%

Define and charter the portfolio

- ▶ Define the portfolio domain and business model
- ▶ Identify key portfolio constructs: partners, activities, resources, cost structure, revenue and budget
- ▶ Summarize portfolio value streams

Portfolio Canvas

Portfolio Name:

Date:

Version:

Value Propositions 📦						
Value Streams	Solutions	Customer Segments 🎯	Channels 🚚	Customer Relationships ❤️	Budget	KPIs / Revenue
What are the value streams in this portfolio? <small>(Note: Create a row for each value stream)</small>	What solutions does each provide?	What customers does each value stream serve?	What channels does each value stream use to reach its customers?	What type of customer relationship does each value stream maintain?	What is the budget for each value stream?	What measures are used to evaluate the performance of each value stream?
Key Partners 🔗 Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?		Key Activities ✅ What key activities do our value propositions require? • Strategic Themes and Lean Budgets • Market Rhythms • Portfolio Sync • PI Planning (Pre/Post) • System/Sol. Demo • Inspect & Adapt		Key Resources 🏢 What key resources do our value propositions require? • Epic Owners • Enterprise Architects • LPM authorities • APMO, LACE • Shared Services		
Cost Structure 💰 What is the total portfolio budget? What are the most important costs inherent in the portfolio? Which key resources are most expensive? Which key activities are the most expensive?			Revenue Streams 💵 What is the revenue for value streams that are monetized? • For what value are customers really willing to pay? • For what do they currently pay? • How are they currently paying? • How much does each revenue stream contribute to overall revenue What is the value is provided by non-monetized (pure development) value streams?			

The Portfolio Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creation Commons Attribution-Share Alike 3.0 Unported License.

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Find your opportunities with SWOT

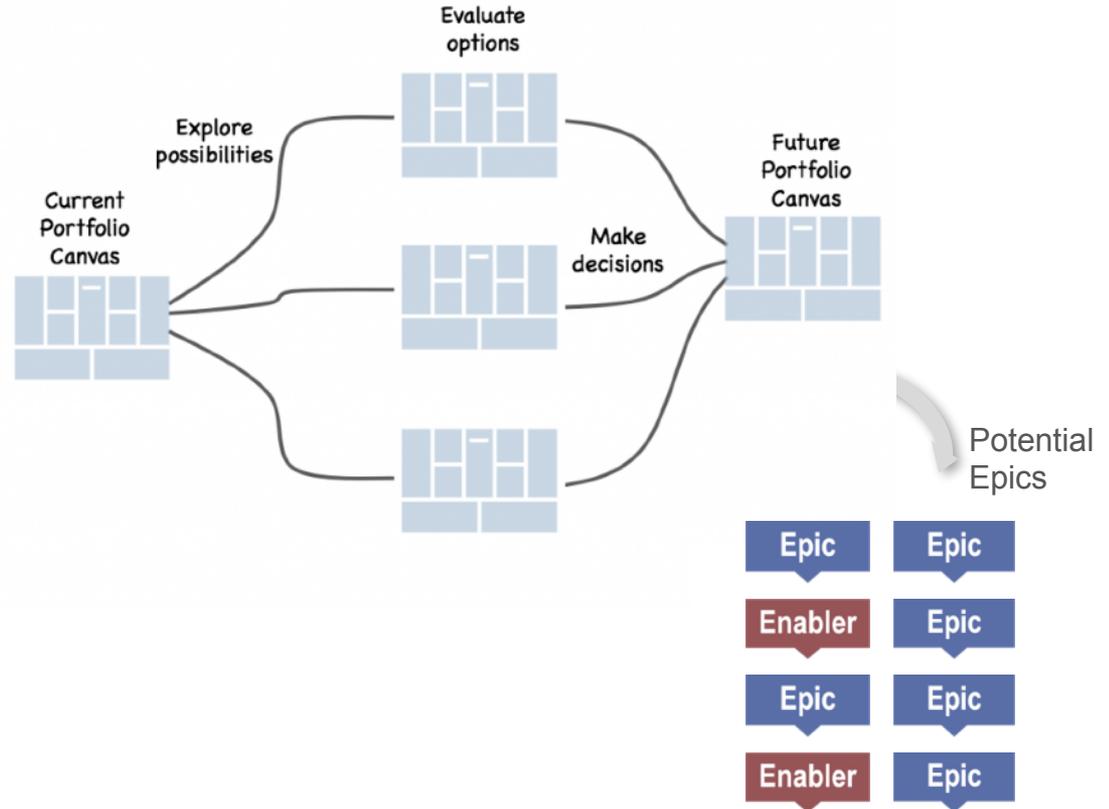
- ▶ Establish understanding of current strengths, weakness and threats
- ▶ Identify most significant opportunities

SWOT Analysis

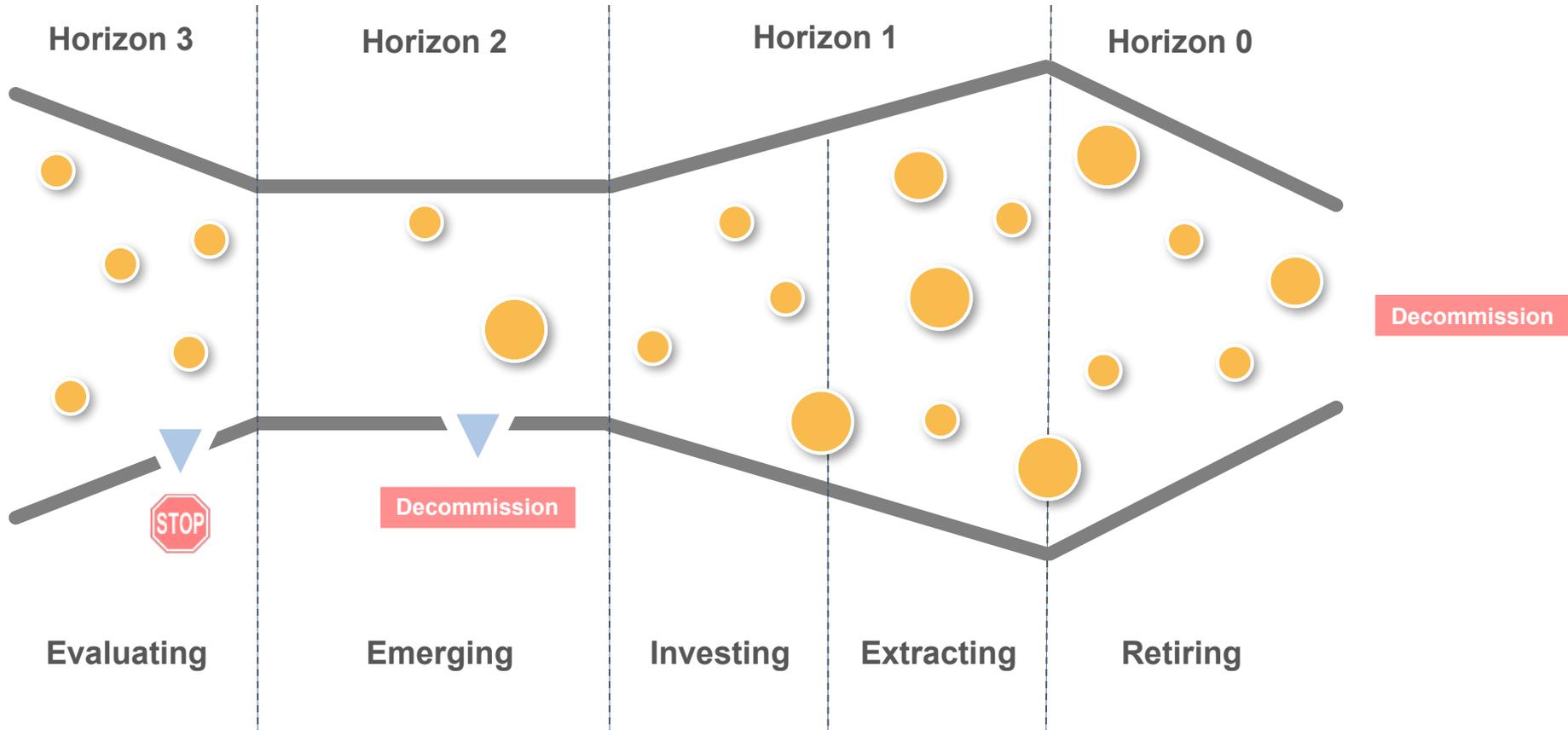
Internal origin	<p data-bbox="1147 306 1257 331">Strengths</p> 	<p data-bbox="1553 306 1696 331">Weaknesses</p> 
External origin	<p data-bbox="1112 620 1271 645">Opportunities</p> 	<p data-bbox="1572 620 1663 645">Threats</p> 

Envision the future state

- ▶ Use SWOT opportunities to brainstorm potential future states
- ▶ Pick one!
- ▶ Identify the epics that will get you there



Map value stream solutions by horizon

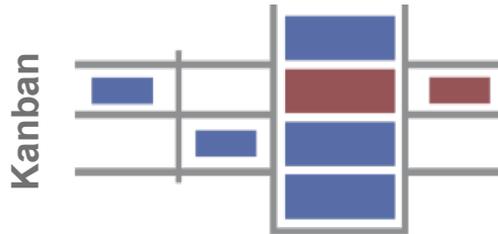


Establish portfolio flow



Govern Epic flow with the Portfolio Kanban

- ▶ Makes largest business initiatives visible
- ▶ Brings structure to analysis and decision making
- ▶ Provides WIP limits to ensure the teams analyze responsibly
- ▶ Helps prevent unrealistic expectations
- ▶ Helps drive collaboration amongst the key stakeholders
- ▶ Provides a transparent and quantitative basis for economic decision-making



Portfolio Kanban

Funnel

All big ideas are welcome here!

- New business opportunities
- Cost savings
- Marketplace changes
- Mergers and acquisitions
- Problems with existing solutions
-

Review

- Epic Hypothesis Statement
- Refine understanding
- **Calculate WSJF**
- WIP limited
-
-

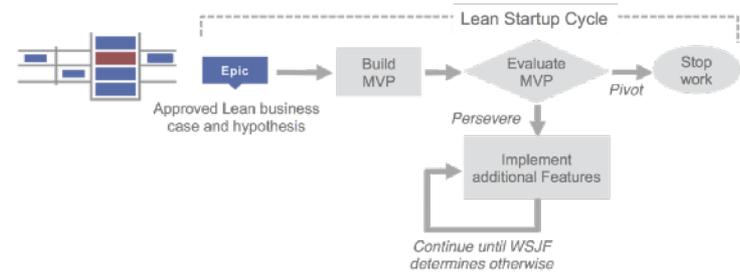
Analyzing

- Solution alternatives
- **Refine WSJF**
- Cost estimate
- Identify MVP
- Lean business case
- WIP limited
- Go/ no-go decision
-
-

Portfolio Backlog

Implementing

Done



Epic Hypothesis Statement template & Lean Business Case

Epic Hypothesis Statement	
For	<customers>
who	<do something>
the	<solution>
is a	<something – the “how”>
that	<provides this value>
Unlike	<competitor, current solution, or non-existing solution>
our solution	<does something better – the “why”>
Business Outcome Hypothesis	<ul style="list-style-type: none"> • • •
Leading Indicators	<ul style="list-style-type: none"> • (early innovation accounting measures) •
NFRs	<ul style="list-style-type: none"> •



SCALED AGILE® Lean Business Case

SCALED AGILE® Lean Business Case

Epic Name: _____ **Event Entry Date:** _____ **Epic Owner:** _____
(Short name for the Epic) (Date the Epic entered the funnel) (The name of the Epic Owner)

Epic Description: _____
Consider using the Epic "Noun/Verb" Statement in the [] which as a starting point for a description of the Epic.

Business Outcome Hypothesis: _____ **Leading Indicators:** _____
(Describe how the success of the Epic will be measured. For example, 10% increase in customer productivity, new market earned, etc.) (Establish innovation accounting metrics to measure leading indicators of the business hypothesis. For example, a measurable change in customer engagement within 30 days of feature release)

To Scope:	Out of Scope:	Assessment/Requirements:
• -	• -	• -
• -	• -	• -
• -	• -	• -

Minimum Viable Product (MVP) Features: _____ **Additional Potential Features:** _____
(Features or Capabilities) (Features or Capabilities)

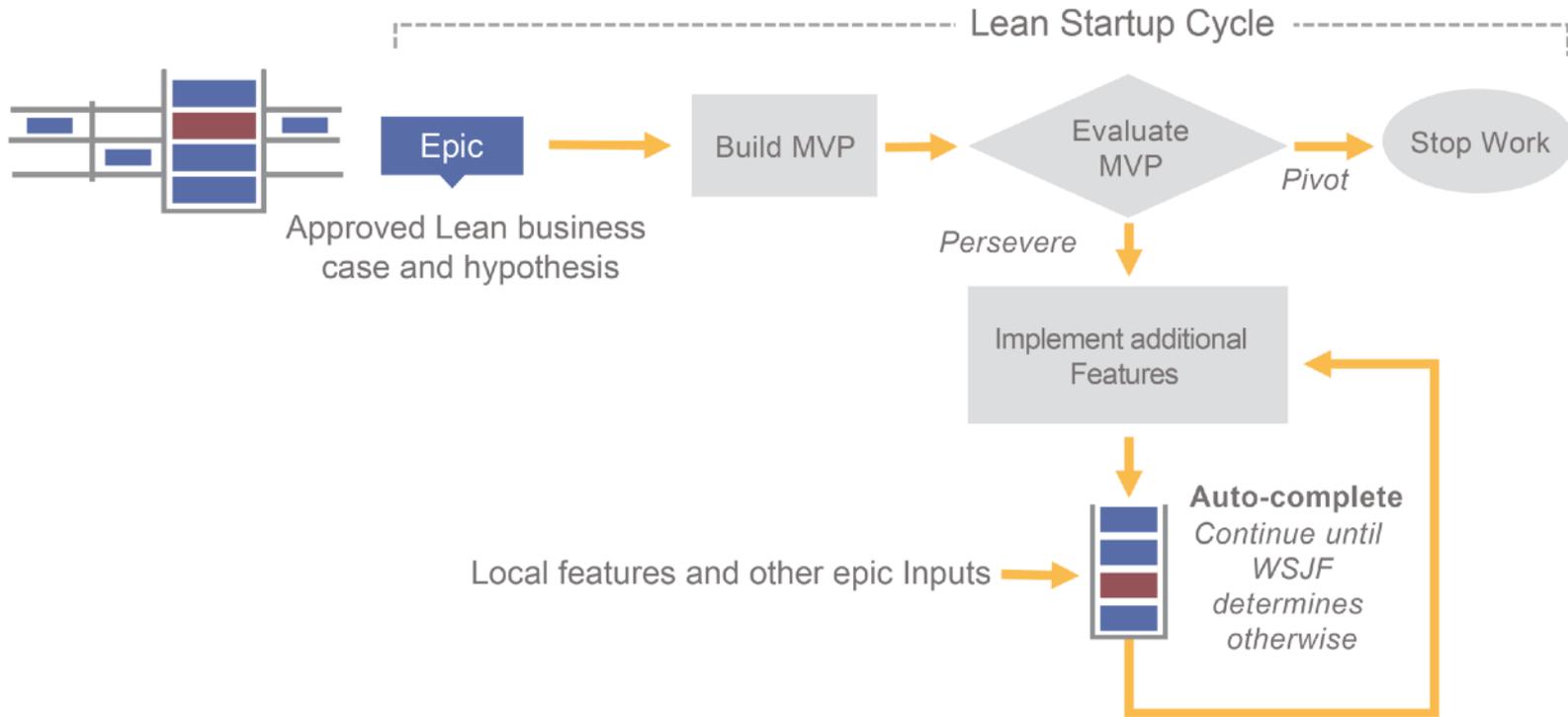
Summary: _____
(Add key business goals that will be supporting the initiative)

Users and Markets Affected: _____
(Describe the user community and any markets affected)

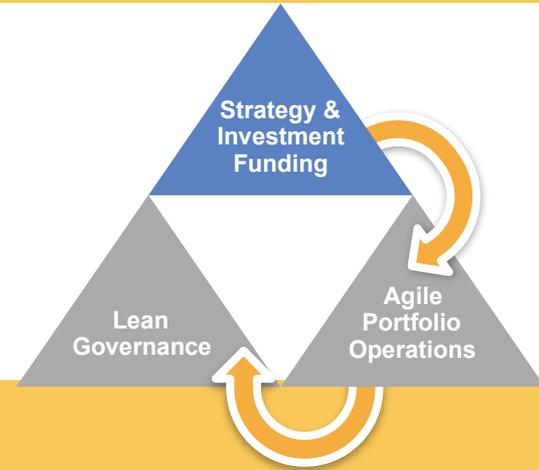
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<https://www.scaledagileframework.com/epic/>

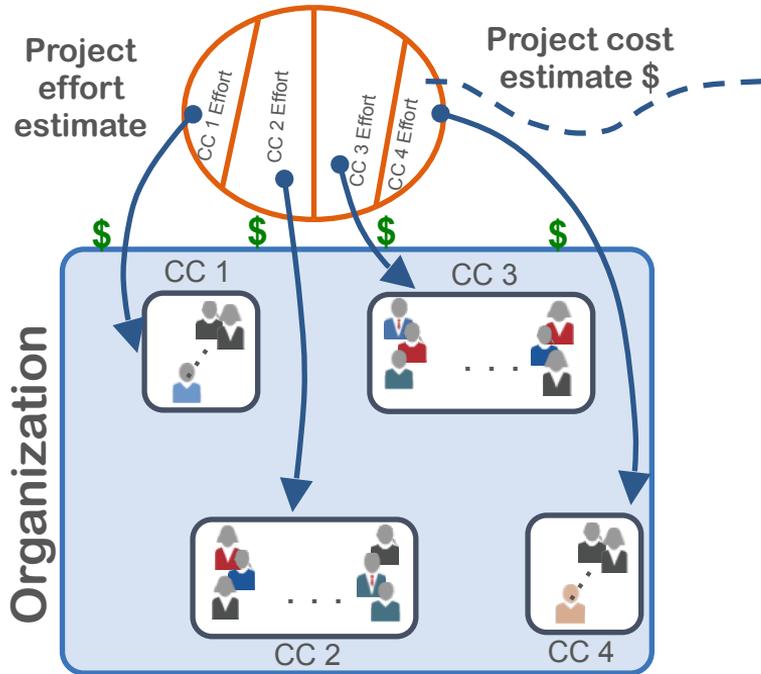
MVPs foster innovation and control scope



Fund Value Streams



Traditional project-based, cost center budgeting creates overhead and friction, lowers velocity.



A project requires collaboration of cost centers, assignment of people, budget, and schedule. It takes multiple budgets to build a single project budget.

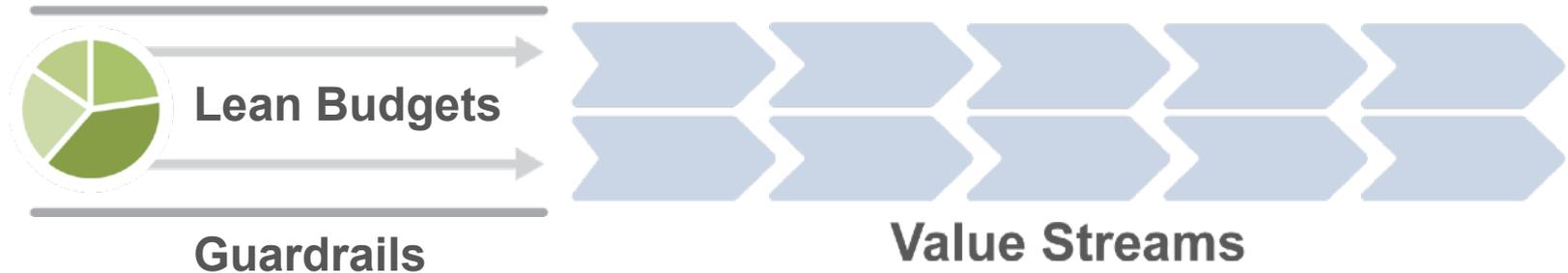
Result:

- ▶ Slow, complex budgeting process
- ▶ Leads to utilization-based planning and execution
- ▶ Low program throughput
- ▶ *Move the people to the work*

Solution: Fund Value Streams not projects

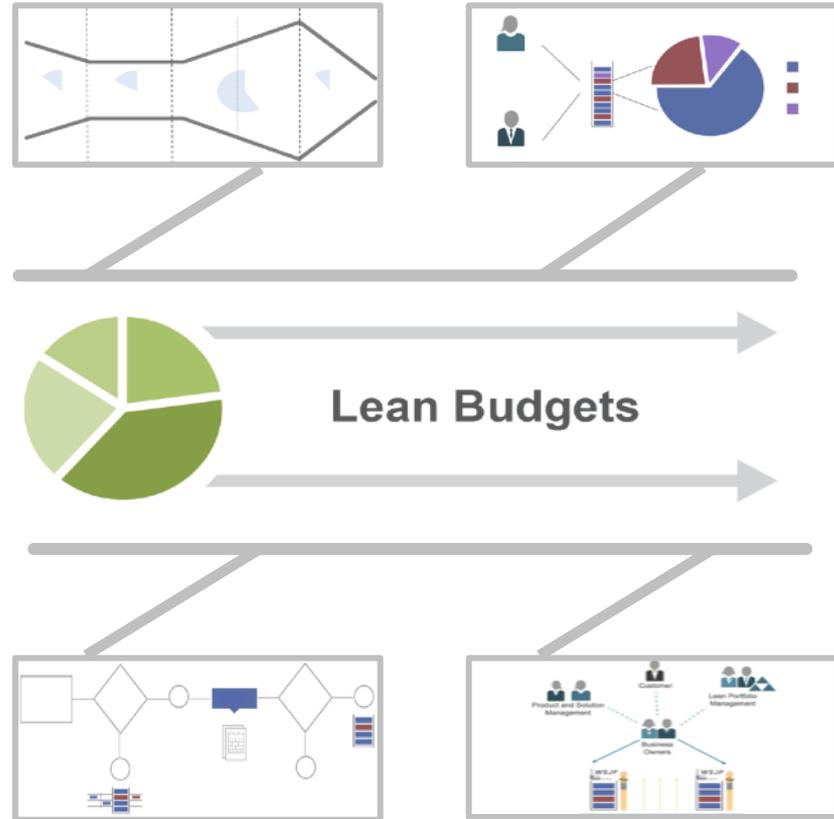
Funding Value Streams provides for full control of spend, with:

- ▶ No costly and delay-inducing project cost variance analyses
- ▶ No resource reassignments
- ▶ No blame game for project overruns

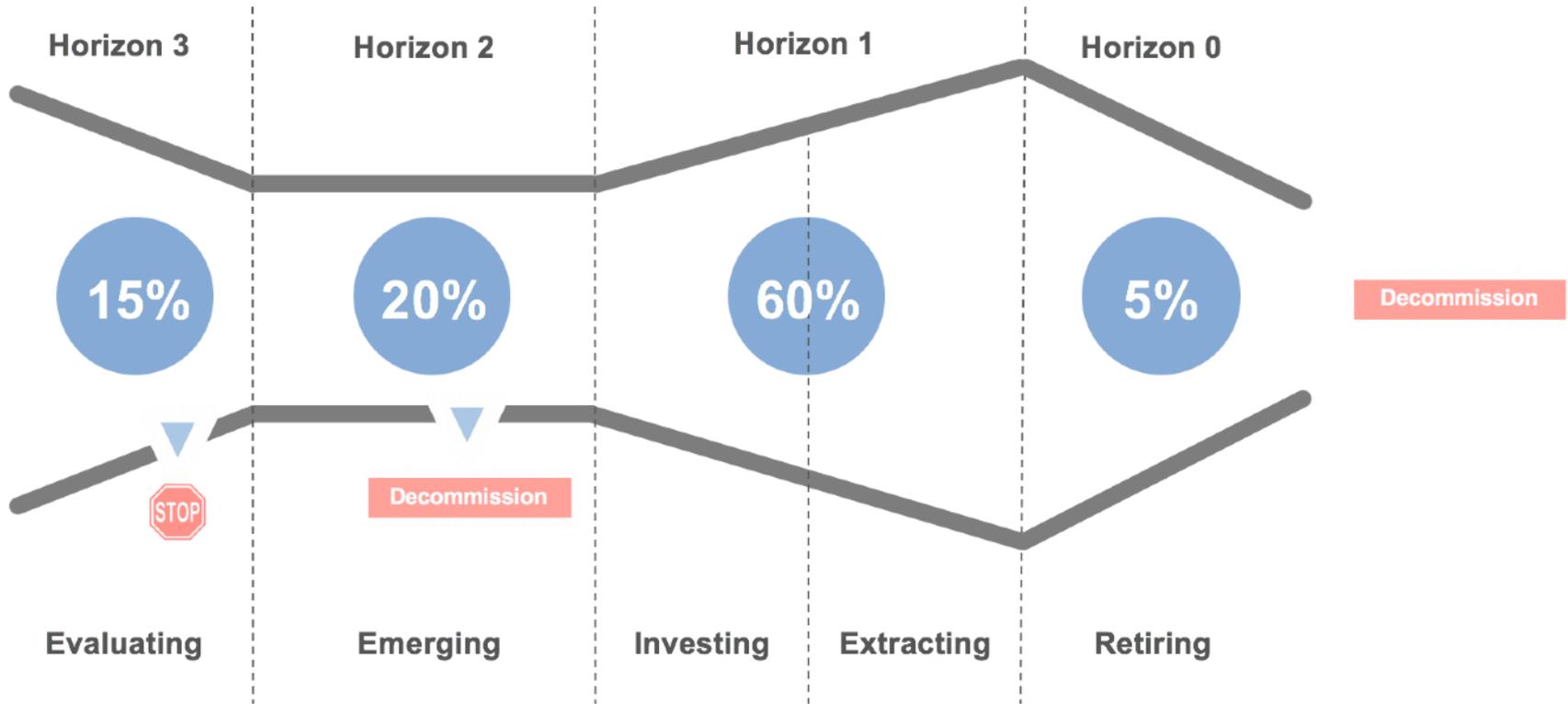


Keep investments on track with budget guardrails

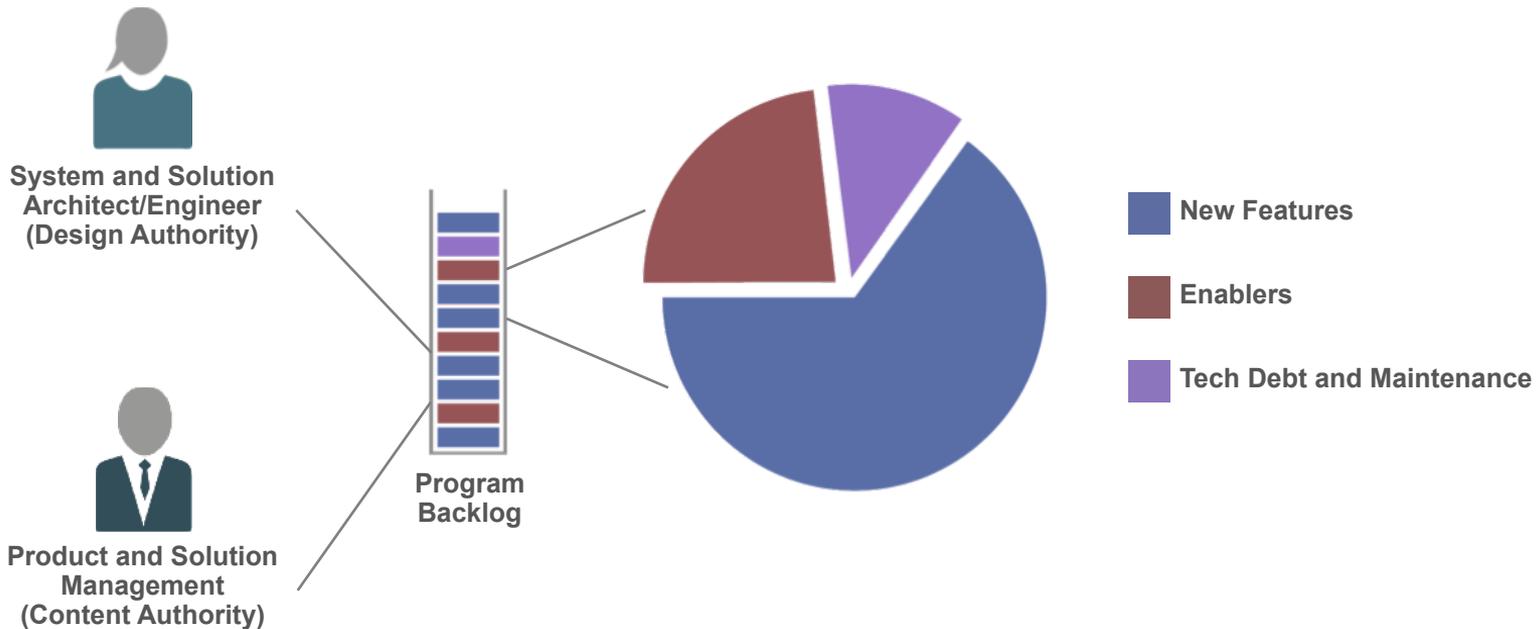
- ▶ Guide investments by horizon
- ▶ Optimize value and solution integrity with capacity allocation
- ▶ Continuous Business Owner engagement
- ▶ Approve significant initiatives



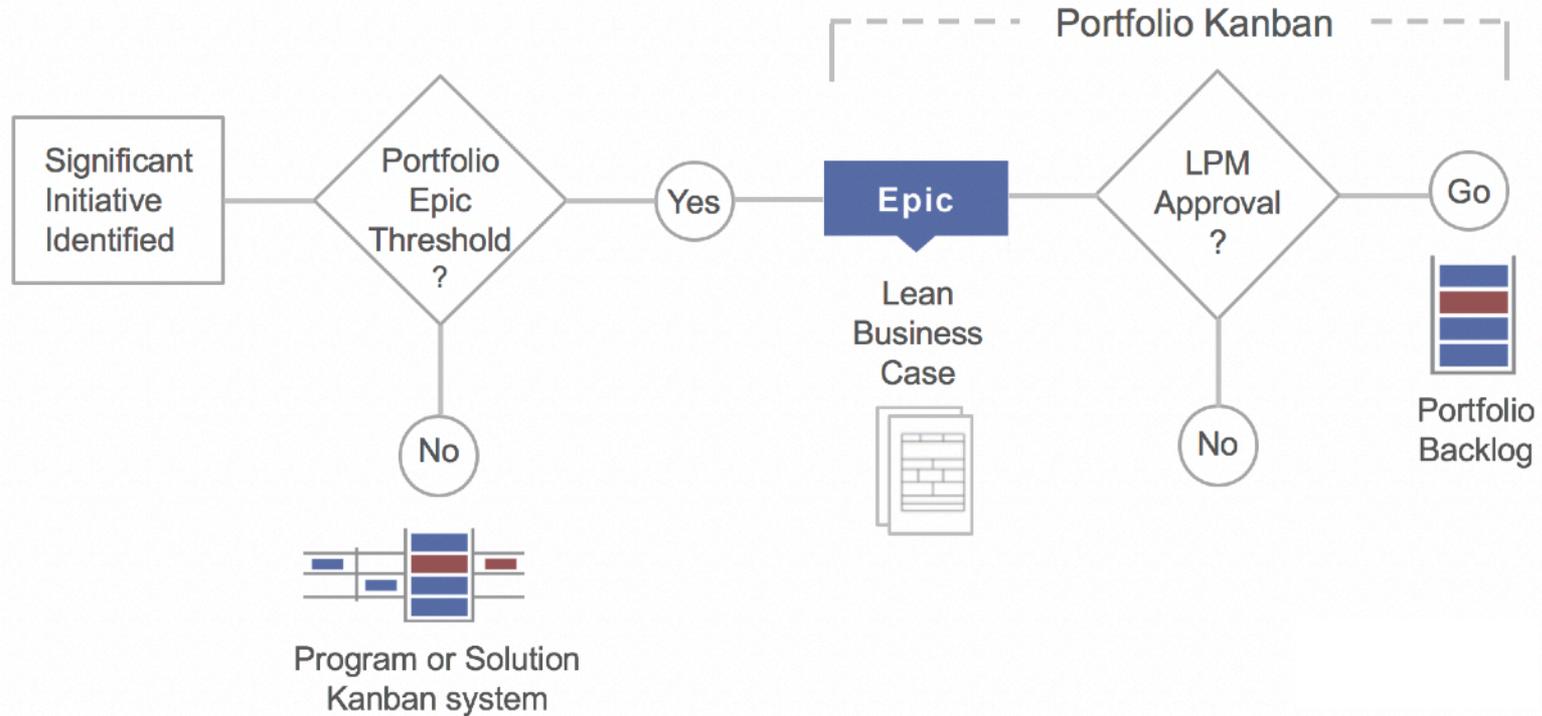
Ensure spending is aligned with investment horizon guidelines



Optimize value and solution integrity with capacity allocation

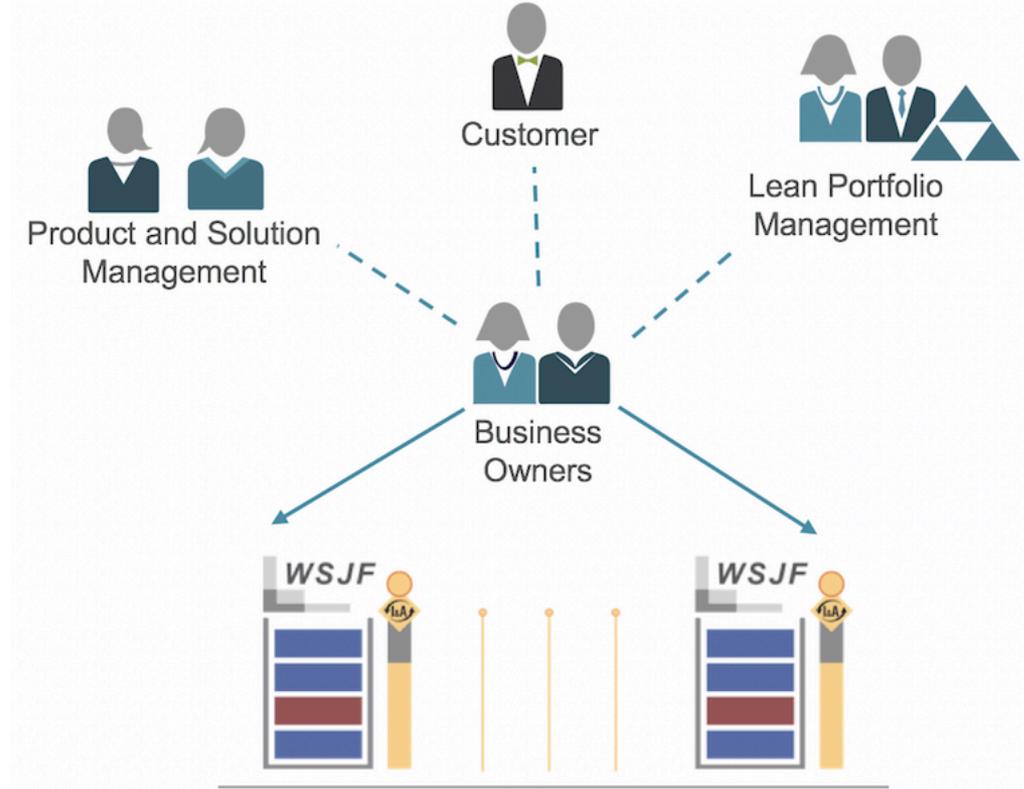


Approve significant initiatives



Continuous business owner engagement

- ▶ The money is *allocated*, but it has not been *spent*!
- ▶ Business owner engagement assures it is spent on the right things





Self assess: Strategy and Investment Funding

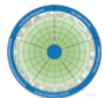
- 1. Sit** Strategy not formally communicated; project-based funding

- 2. Crawl** Portfolio, value streams and LPM responsibilities are defined

- 3. Walk** Portfolio prioritization and epic flow are in place

- 4. Run** Value stream funding and guardrails in effect

- 5. Fly** Lean, rolling-wave strategy and budgets support operations and innovation

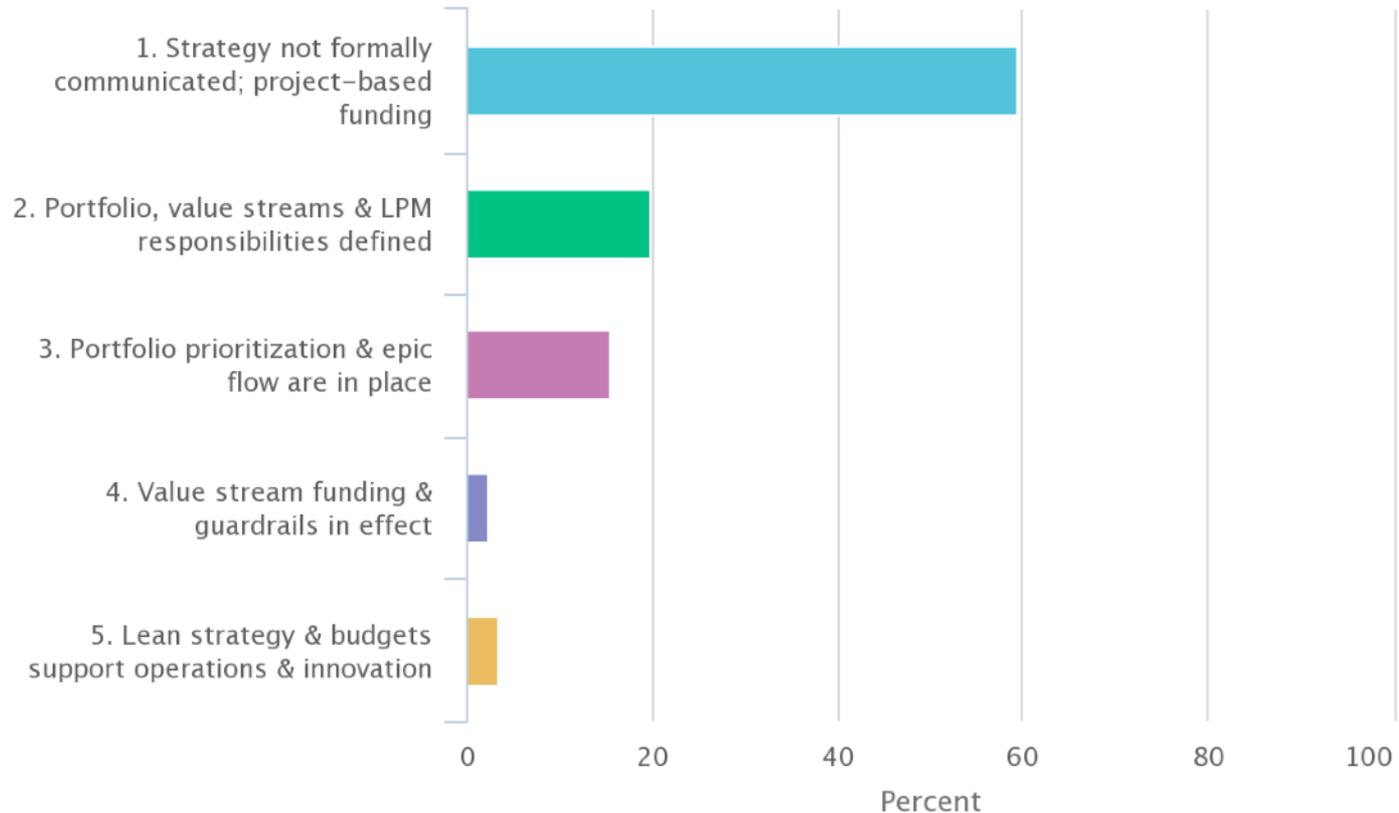


Lean Enterprise Health Radar

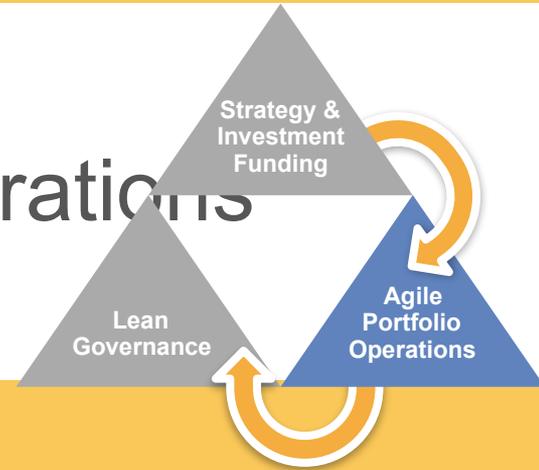




Self assess: Strategy and Investment Funding

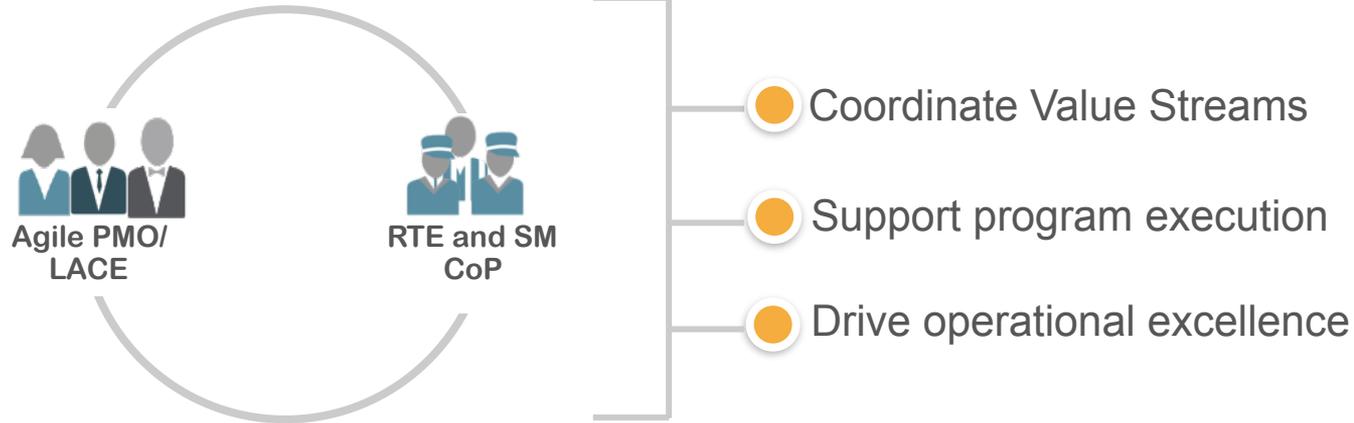


Support Agile Portfolio Operations



Agile Portfolio Operations is a collaboration

- ▶ Support SAFe implementation, relentless improvement and Agile practices to achieve business goals
- ▶ Enable continuous flow of value through coordination of Value Streams and ARTs



LACE mission statement example

Lean-Agile Center of Excellence Mission Statement							
For	EMV Productions, Inc.						
who	produces automated guided vehicles and amusement park rides						
the	EMV Lean-Agile Center of Excellence						
is a	full-time, cross-functional lean-agile change management team						
that	is driving the transformation of our enterprise to a Lean-Agile way of working using the Scaled Agile Framework						
Unlike	Our traditional ad-hoc transformation efforts						
we	provide dedicated practitioners and the committed leadership to implement the training, process, technology, tooling, culture, and governance changes needed to achieve the business benefits of a Lean-Agile way of working						
<table border="1"> <thead> <tr> <th>In Scope</th> <th>Out of Scope</th> <th>Success Criteria</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> ▶ Communication ▶ Leadership and team training and coaching ▶ ART launches and coaching ▶ Agile tooling ▶ Consultant/supplier coaching and training management </td> <td> <ul style="list-style-type: none"> ▶ Organizational structure changes ▶ Outsourcing strategy changes ▶ ... </td> <td> <ul style="list-style-type: none"> ▶ % practitioners trained in their new roles ▶ % leaders trained in their new roles ▶ # Value streams applying SAFe ▶ #ARTs stood up ▶ ARTs exhibit relentless self improvement </td> </tr> </tbody> </table>		In Scope	Out of Scope	Success Criteria	<ul style="list-style-type: none"> ▶ Communication ▶ Leadership and team training and coaching ▶ ART launches and coaching ▶ Agile tooling ▶ Consultant/supplier coaching and training management 	<ul style="list-style-type: none"> ▶ Organizational structure changes ▶ Outsourcing strategy changes ▶ ... 	<ul style="list-style-type: none"> ▶ % practitioners trained in their new roles ▶ % leaders trained in their new roles ▶ # Value streams applying SAFe ▶ #ARTs stood up ▶ ARTs exhibit relentless self improvement
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Self assess: Agile Portfolio Operations

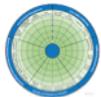
- 1. Sit** Centralized planning and project overload; traditional PMO

- 2. Crawl** Agile PMO engaged in Lean-Agile transformation

- 3. Walk** Decentralized planning and execution

- 4. Run** Value streams coordinated effectively

- 5. Fly** Relentlessly improving Lean-Agile operational excellence

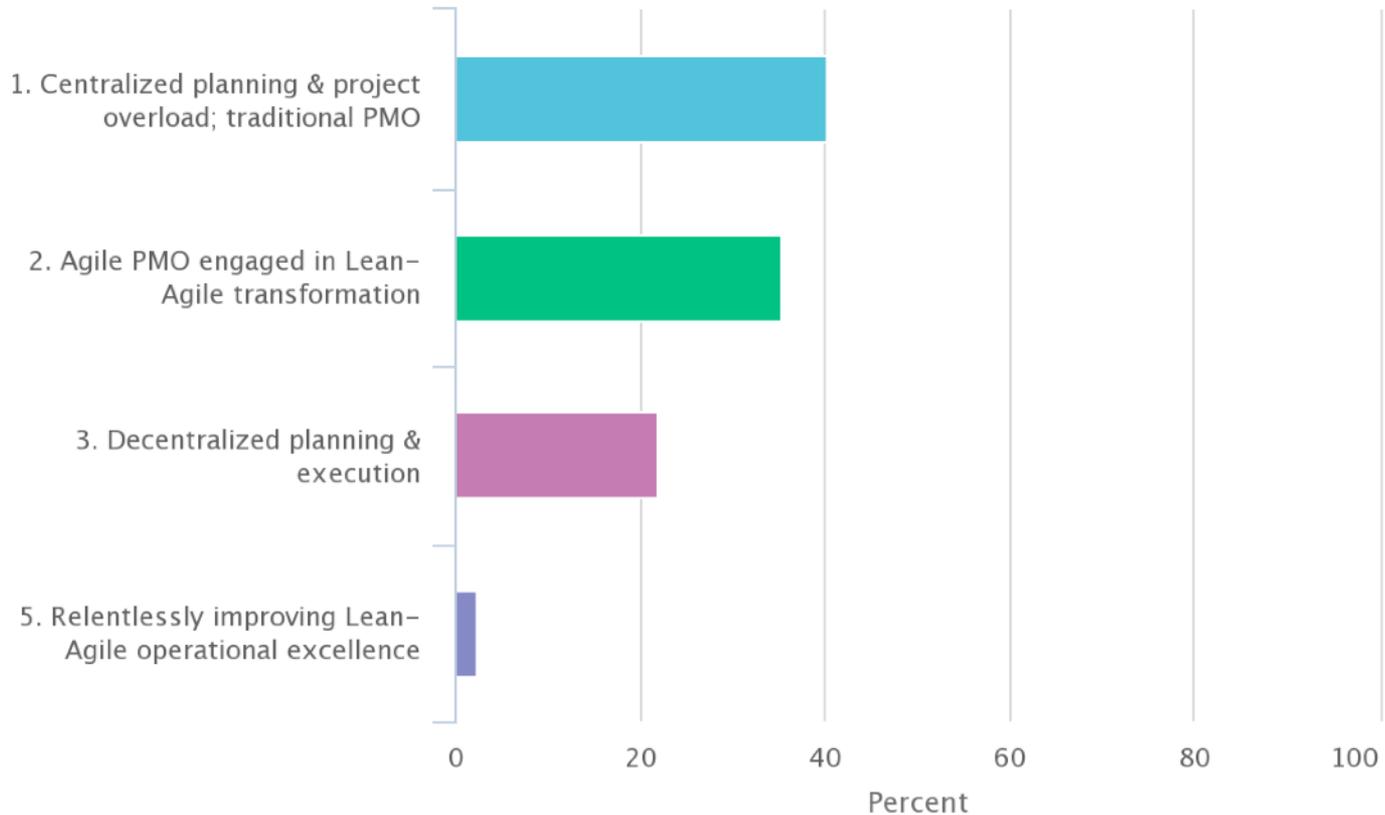


Lean Enterprise Health Radar

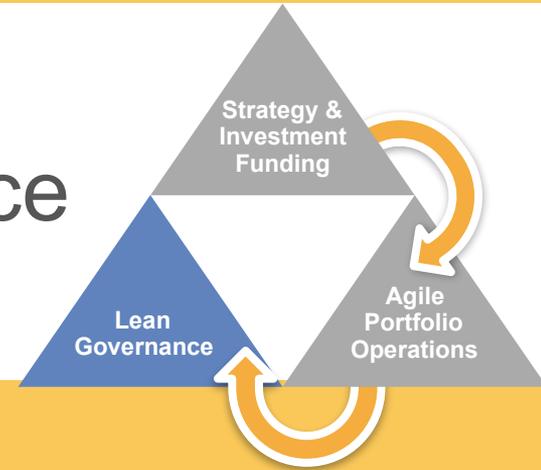




Self assess: Agile Portfolio Operations

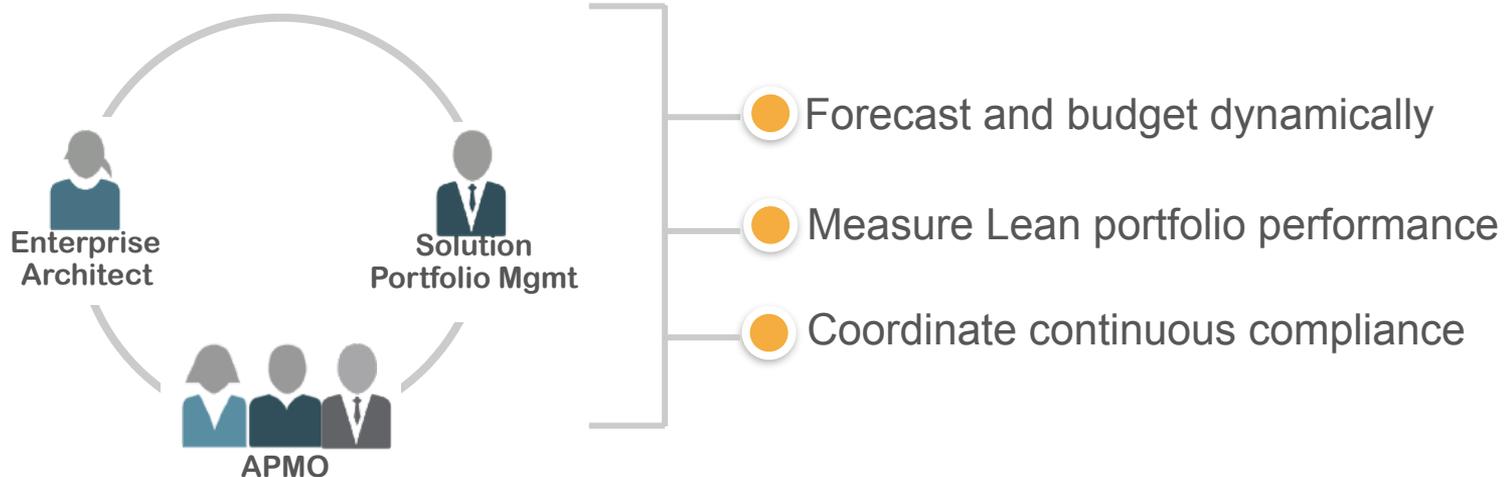


Apply Lean Governance



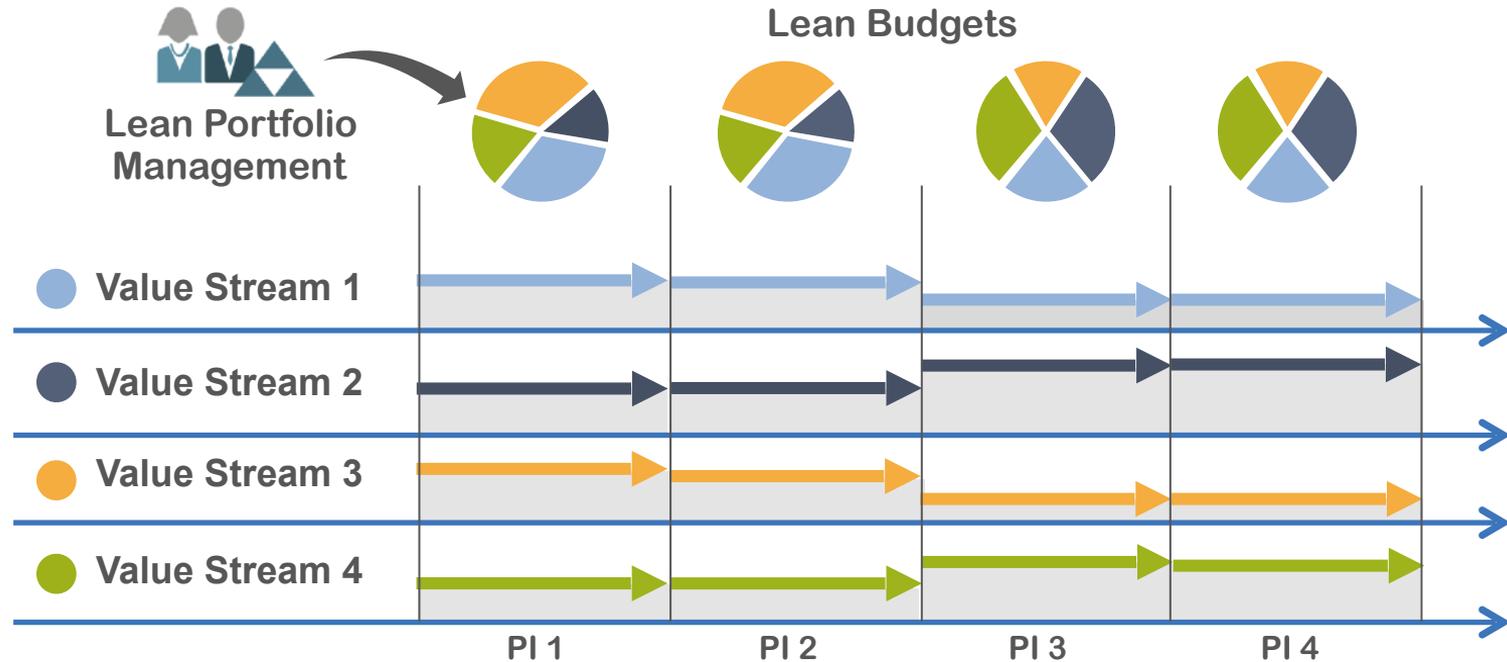
Lean governance is a collaboration

- ▶ Collaborate on forecasting and dynamic budgeting with an Agile approach
- ▶ Establish minimum Lean portfolio metrics necessary to assure strategy is being implemented



Exercise fiscal governance with dynamic budgeting

Financial governance is still in place. Adjust budgets dynamically to meet changing business needs.



Measure Lean Portfolio performance: Example

Lean Portfolio Metrics Example

Benefit	Expected Result	Metric Used
Employee engagement	Improved employee satisfaction; lower turnover	Employee survey; HR statistics
Customer satisfaction	Improved Net Promoter Score	Net Promoter Score survey
Productivity	Reduced average feature cycle time	Feature cycle time
Agility	Continuous improvement in team and program measures	Team, program, and portfolio self-assessments; predictability measure
Time to market	More frequent releases	Number of releases per year
Quality	Reduced defect counts and support call volume	Defect data and support call volume
Partner health	Improving ecosystem relationships	Partner and vendor surveys



Self assess: Lean Governance

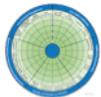
- 1. Sit** Stage-gated milestones and reporting

- 2. Crawl** Lean measures established

- 3. Walk** Lean, objective measurement and Agile forecasting

- 4. Run** Lean Budgets and guardrails are updated dynamically

- 5. Fly** Lean governance facilitates innovation

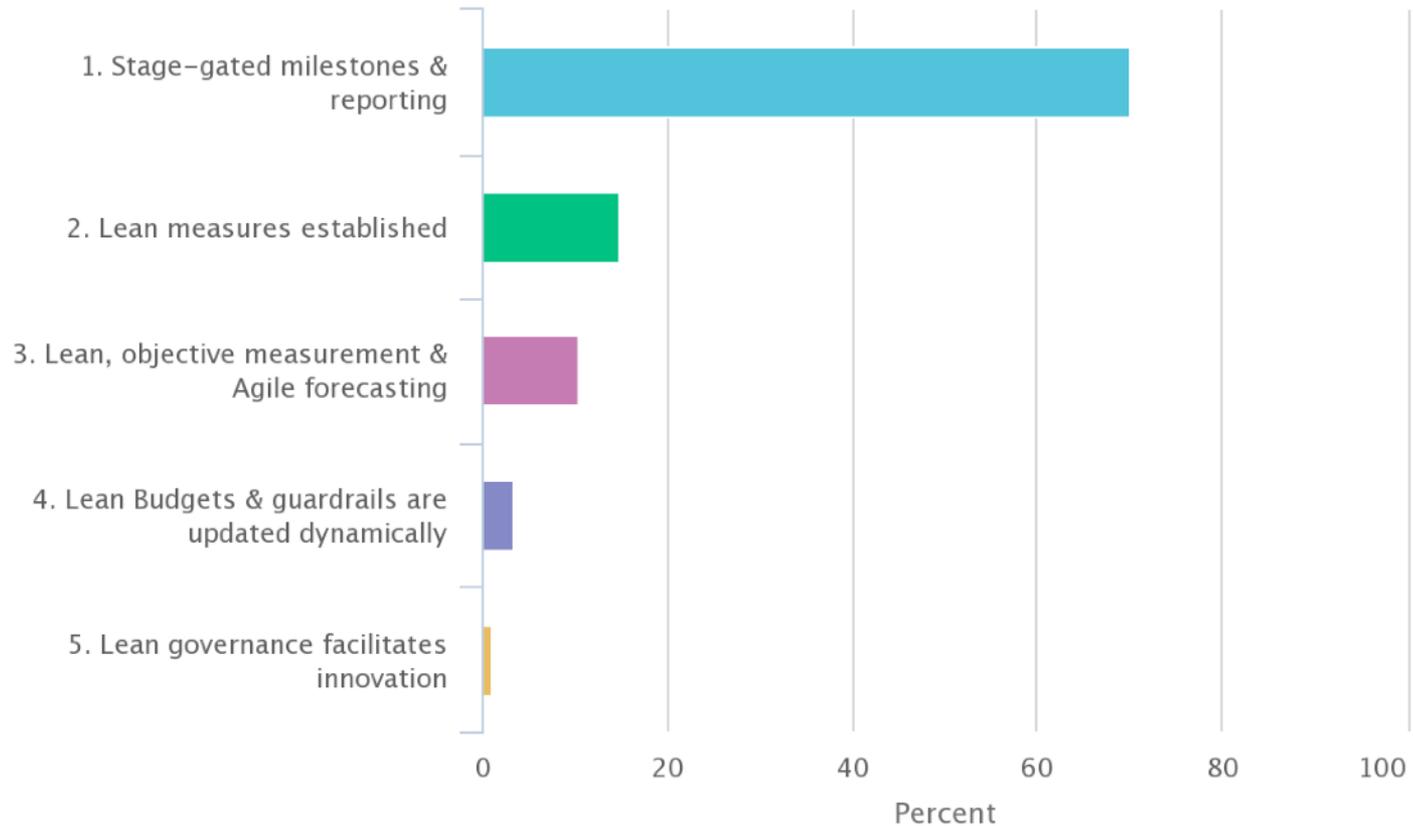


Lean Enterprise Health Radar





Self assess: Lean Governance



Q&A



Thank You!

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