Lean Portfolio Management Demystified
Practical Patterns for Amplifying the Impact of SAFe
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

scaledagileframework.com
Lean Portfolio Management Competency
Moving to Lean Portfolio Management

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

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

<table>
<thead>
<tr>
<th>Value Streams</th>
<th>Solutions</th>
<th>Customer Segments</th>
<th>Channels</th>
<th>Customer Relationships</th>
<th>Budget</th>
<th>KPIs / Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the value streams in this portfolio? (Note: Create a row for each value stream)</td>
<td>What solutions does each provide?</td>
<td>What customers does each value stream server?</td>
<td>What channels does each value stream use to reach its customers?</td>
<td>What type of customer relationship does each value stream maintain?</td>
<td>What is the budget for each value stream?</td>
<td>What measures are used to evaluate the performance of each value stream?</td>
</tr>
</tbody>
</table>

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
- IT Planning (Pre/Post)
- System/Sol. Demo
- Inspect & Adapt

Key Resources

What key resources do our value propositions require?
- Epic Owners
- Enterprise Architects
- LPM authorities
- Agile, 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 provided by non-monetized (pure development) value streams?
Find your opportunities with SWOT

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

- Horizon 3
- Horizon 2
- Horizon 1
- Horizon 0

Steps:
- Evaluating
- Emerging
- Investing
- Extracting
- Retiring

Decommission markers at each 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

All big ideas are welcome here!

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

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

Solution alternatives
- Refine WSJF
- Cost estimate
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- 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

Leading Indicators  (early innovation accounting measures)

NFRs  

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

![Diagram of Lean Budgets, Guardrails, and Value Streams]
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

Lean Budgets
Ensure spending is aligned with investment horizon guidelines

Horizon 3: 15%
Horizon 2: 20%
Horizon 1: 60%
Horizon 0: 5%

Evaluating
Emerging
Investing
Extracting
Retiring

Decommission
Decommission
STOP
Optimize value and solution integrity with capacity allocation

- System and Solution Architect/Engineer (Design Authority)
- Product and Solution Management (Content Authority)

Program Backlog

- New Features
- Enablers
- Tech Debt and Maintenance
Approve significant initiatives
The money is *allocated*, but it has not been *spent*!

Business owner engagement assures it is spent on the right things.
<table>
<thead>
<tr>
<th><strong>1. Sit</strong></th>
<th>Strategy not formally communicated; project-based funding</th>
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<tbody>
<tr>
<td><strong>2. Crawl</strong></td>
<td>Portfolio, value streams and LPM responsibilities are defined</td>
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<td><strong>3. Walk</strong></td>
<td>Portfolio prioritization and epic flow are in place</td>
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<tr>
<td><strong>4. Run</strong></td>
<td>Value stream funding and guardrails in effect</td>
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<tr>
<td><strong>5. Fly</strong></td>
<td>Lean, rolling-wave strategy and budgets support operations and innovation</td>
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*Lean Enterprise Health Radar*
Self assess: Strategy and Investment Funding

1. Strategy not formally communicated, project-based funding
   - Percent

2. Portfolio, value streams & LPM responsibilities defined
   - Percent

3. Portfolio prioritization & epic flow are in place
   - Percent

4. Value stream funding & guardrails in effect
   - Percent

5. Lean strategy & budgets support operations & innovation
   - Percent
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

<table>
<thead>
<tr>
<th>Lean-Agile Center of Excellence Mission Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For</strong></td>
</tr>
<tr>
<td><strong>who</strong></td>
</tr>
<tr>
<td><strong>the</strong></td>
</tr>
<tr>
<td><strong>is a</strong></td>
</tr>
<tr>
<td><strong>that</strong></td>
</tr>
<tr>
<td><strong>Unlike</strong></td>
</tr>
<tr>
<td><strong>we</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In Scope</th>
<th>Out of Scope</th>
<th>Success Criteria</th>
</tr>
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<tr>
<td>› Communication</td>
<td>› Organizational structure changes</td>
<td>› % practitioners trained in their new roles</td>
</tr>
<tr>
<td>› Leadership and team training and coaching</td>
<td>› Outsourcing strategy changes</td>
<td>› % leaders trained in their new roles</td>
</tr>
<tr>
<td>› ART launches and coaching</td>
<td>› ...</td>
<td>› # Value streams applying SAFe</td>
</tr>
<tr>
<td>› Agile tooling</td>
<td></td>
<td>› #ARTs stood up</td>
</tr>
<tr>
<td>› Consultant/supplier coaching and training management</td>
<td></td>
<td>› ARTs exhibit relentless self improvement</td>
</tr>
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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

1. Centralized planning & project overload; traditional PMO
2. Agile PMO engaged in Lean–Agile transformation
3. Decentralized planning & execution
5. Relentlessly improving Lean–Agile operational excellence

Percent

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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

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

<table>
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<tr>
<th>Stage</th>
<th>Description</th>
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<td>Lean, objective measurement and Agile forecasting</td>
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<td>Lean Budgets and guardrails are updated dynamically</td>
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<td>5. Fly</td>
<td>Lean governance facilitates innovation</td>
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*Lean Enterprise Health Radar*
Self assess: Lean Governance

1. Stage-gated milestones & reporting
2. Lean measures established
3. Lean, objective measurement & Agile forecasting
4. Lean Budgets & guardrails are updated dynamically
5. Lean governance facilitates innovation
Q&A
Thank You!

For more information, visit targetprocess.com

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