Practical Approach to Adopting Lean Portfolio Management

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The Lean Portfolio Management competency aligns strategy and execution by applying Lean and systems thinking to strategy and investment funding, Agile portfolio operations and governance.

- One of the Core Competency for Lean Enterprise
Lean Portfolio Management empowers the portfolio

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

By ensuring each initiative is aligned to specific enterprise strategic objective and have senior level executive signed off on it.

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

Lean Governance

Incorporate agility into portfolio review and funding process. Measure cost by value stream rather than at project or ART level.

- Coordinate Value Streams
- Support program execution
- Drive operational excellence

Strategy & Investment Funding

Agile Portfolio Operations

Lean business case, objective OKRs for portfolio measure
Traditionally Target Operating Model (TOM) approach have been used to design and implement portfolio management processes:

### Capabilities

- **Portfolio Process**
  - Intake
  - Prioritization
  - Execution
  - Resource & Capacity
  - Financial
  - Portfolio Risk
  - Governance

### Operating Layers

#### Delivery Model
- Identifies what capabilities are delivered and how. (e.g. Centers of Excellence)

#### Organization
- Lines of reporting, spans of control, skills, roles, and responsibilities.

#### Process
- Specific process steps and accompanying policies/procedures.

#### Technology
- Application and infrastructure that support LPM processes.

#### Data & Analytics
- OKRs/KPIs and reporting to drive insights and support decision making.

#### Governance
- Strategic and operational governance for strategic alignment and effective escalation.
LPM Practical Implementation - Don’t boil the ocean

- Identify Stakeholders
- Establish LPM Goals and Governance
- Document Important LPM Processes
- LPM Tool Selection/Customization
- Training and Communication
- Initiate LPM (w Annual Planning)
- Establish LPM COE (Improve)

Ensure Business leads LPM and clear responsibilities breakdown with the existing IT PMO.

Which LPM process is most urgent – Intake, dynamic funding, resource management?
Stakeholder engagement is managing the expectation of anyone who has an interest in a program or will be affected by its deliverables or outputs.

Working with stakeholders
In Agile, stakeholder engagement is like refining your backlog. You should continuously inspect and adapt!
Lean Governance: Collaboration and responsibilities

Collaboration

- Enterprise Architect
- Business Owners
- APMO

Responsibilities

- Forecast and budget dynamically
- Measure Lean portfolio performance
- Coordinate continuous compliance
The focus of portfolio governance is primarily on alignment to strategy, financial optimization, resource allocation, cross portfolio prioritization and benefits management.
Portfolio Management Processes

The key process areas of the KPMG’s Portfolio Management (PfM) framework:

**Intake and Demand Management** involves using an objective, balanced, and accepted process to evaluate and filter component ideas to produce a prioritized list for the next business planning cycle that aligns with business strategy.

**Benefits Management** involves providing a structure and framework for the forecasting and realization of portfolio benefits.

**Capacity Management** considers demand and supply, identifying constraints on the organization that could impede the delivery of the portfolio.

**Financial Management** considers funding, investment opportunities, and financial returns from the overall portfolio.

**Governance** helps ensure that appropriate structures and processes are in place for effective decision making, work allocation, and performance reporting.

**Risk Management** manages the level of risk involved in delivering the portfolio.

**Organization & Leadership** considers executive direction setting for the portfolio and structuring the organization for integration across portfolio, program, and project levels.

**Performance Management** involves tracking the delivery of the portfolio against a pre-defined set of parameters including time, cost, quality, risk, and benefits.

**Stakeholder Engagement** involves engaging individuals or groups of people within and outside the organization to help ensure ongoing support for the portfolio.
Portfolio Reporting Process

Aligning portfolios to core product and delivery areas, enables a comprehensive view of progress against strategy and enable stakeholders to understand risk and track benefits.

- **Financial Summary**
  Current snapshot and trending of Portfolio Budget, Forecast and Actuals

- **Portfolio Status**
  Full roster of all active initiatives with health status data and other key project data such as Owner, Project Manager and Schedule are often included

- **Resource Report**
  Resource capacity forecasted and actual hours by Portfolio, Functional Area, Role, etc.

- **Pipeline / Intake Report**
  Portfolio Pipeline reports detail the potential initiatives that are in a particular Intake stage and are often grouped by Portfolio and supported by roadmaps

- **Portfolio Alignment Reporting**
  Additional Portfolio analysis to ensure desired balance across corporate strategies, goals, business capabilities, internal/external stakeholders, etc.
Practical Tips

• You don’t have to wait for ART Launch
• You can realize LPM benefits without Program or Solution level SAFe in your organization
Moving to Lean Portfolio Management

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

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

Practical recommendations for a quick LPM Implementation:

1. Identify major stakeholders (business preferred) – Executive Steering Committee and Working Council
2. Establish short term and long term objectives upfront
3. Document LPM Governance process that include communications and reporting cadence and how it will interact with PMO and Program/Solution Level SAFe teams
4. Define a few, most critical (from your organization perspective) LPM processes and deliverables – For example Intake, analysis and approval for Epic Backlog
5. Ensure your current PPM tool can support the processes or select the appropriate PPM tool and establish Tool Governance Process
6. Establish clear boundaries and responsibility breakdown between IT PMO and LPM
7. Ensure Business drives LPM
8. Initiate and align newly establish LPM process with the new year’s planning cycle
9. Establish Lean Portfolio Management Center of Excellence
10. Continue to elaborate LPM processes to cover other area i.e. dynamic funding, resource management, benefit management etc.