ATLASSIAN Jira Align

Leading a lean portfolio

How to make the shift to Lean Portfolio Management to drive enterprise agility and deliver more customer value

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Quickly adapt to change by shifting to a lean mindset

The most successful enterprises recognize that agility is a winning advantage. Across the business landscape, customer needs change, new competition enters the market, and unexpected events in the world can demand changes to what companies deliver to the market, and how. It's the adaptable teams that consistently out-innovate their competition.

Companies are measured by how much value they deliver and how quickly they can deliver it. They must deliver a product in the way that customers expect it–in the channels and devices where they want it, without defects, with a best in class customer experience.

This is why companies are shifting to a Lean Portfolio Management (LPM) model. Historically, project-based management approaches have constrained adaptability and focused more on delivering on plans that were set at a point in time.

The LPM approach shifts analysis away from **output** and focuses measurement on **value-based outcomes**. It does this by aligning business strategy and product development and applying lean and systems thinking approaches to funding, portfolio operations management, and overall governance of how teams work.

In this paper, we'll describe the five important shifts that portfolio managers must make as they move to a lean approach to planning, funding, and tracking product development work. We'll also include smart tips from Atlassian's agile transformation specialists based on the engagements with customers they've helped transition to a Lean Portfolio Management approach.

These five shifts are:

1. **Set a vision:** Learn how to shift from planning projects to centering your work around the value you want to deliver to customers.
2. **Plan by priorities:** Continuously take in new information that will keep work aligned to objectives.
3. **Fund teams, not projects:** Find out what it means to devote resources to value streams.
4. **Make the valuable visible:** Inform stakeholders and partners about your progress and create tight feedback loops.
5. **Identify and clear bottlenecks:** Optimize your value delivery systems with value stream mapping.

This transition never happens overnight, and different parts of the organization shift their approach at different speeds.

We'll break down the stages of the journey that many product teams move through in their agile transformation:

CRAWL

As teams start to let go of the traditional funding models and project plans, they usually apply the new approach to low-risk work or a pilot project.

WALK

With more practice and experience, teams take on more lean practices, and share their progress–and partner with–other teams across the organization.

RUN

The entire portfolio team is working in lockstep with the broader organization, aligned with their OKRs and their funding practices, and has tight feedback loops that allow the organization to work in a truly agile way.

1. Set a vision

How to shift from a static project plan to aligning around a commitment to customer value

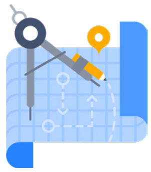
As a portfolio manager, you set the North Star for your product and development teams. The fundamental question you need to answer is, “What problem does this product solve, and for which customers?”

The answer to this question evolves as customer needs change. And as your organization transitions to a more outcome-driven model, it may take time to get everyone on the same page for an entire portfolio. If they’re accustomed to working in a project-based model in which you’re delivering specific sets of features a few times a year, they may need guidance about how this change in cadence impacts their work.

The most pressing question you’ll likely get is “what are you delivering–and when?” Understandably, telling people you don’t know, specifically, what you’re delivering in 6 or 12 months may cause some concern. You can communicate this transition as one where you’re shifting from delivering **projects** to focusing on **priorities** and delivering **outcomes**.

> **Understand the product vision and the business problem it solves. Then, you can prioritize and optimize for the only resource you can’t make more of–time.**
>
> **MARK CRUTH, JIRA ALIGN SOLUTIONS ARCHITECT**

Instead of presenting project plans with specific features specced out with dates and milestones assigned, you communicate a broader vision for your portfolio with your customers at the center of the story.



Set the expectation that roadmaps are a vision for the future, not a project plan that must be executed. You can communicate this vision with a roadmap (or several, depending on how many products and customer groups you're serving) that visualizes the fidelity of your immediate plans as they stand now, and less specific plans several quarters out, focusing instead on the **problems you want to solve for customers**.

As you deliver this vision, communicate the message that as you implement more lean practices and learn more about how to meet your customer needs, the items that are further out on the roadmap will become more specific and more detailed.

STAGES OF THE JOURNEY

CRAWL

Present your vision starting with one stream of work, and deliver a product roadmap that visualizes the value you'll deliver to customers or the problems you'll solve for them, over the next 6 to 12 months.

WALK

As teams–and executives–get more comfortable setting and communicating priorities across investments and less dependent on milestones and deliverables, you can incorporate more of your portfolio into your vision-setting and roadmap planning. Over time, teams will learn how to adapt their working cadence and even start to contribute their own ideas to the vision.

RUN

As your entire organization shifts to a lean approach, share your vision across the organization. Communicate how you intend to solve problems, and the ideas, or bets, you'll test out during development that will yield new insights that will inform everyone's work.

2. Plan by priorities

How to take in new information and align work to business objectives

Project work is often specced, scheduled, and funded based on ideas conceived at a point in time, with only the information available at that moment. Along the way, the market may change but the project often does not. The work that is in the schedule doesn't get re-evaluated along the way, which prevents you from prioritizing other opportunities that could move the business forward.

In a lean model, we ask: Is this work still valuable? Should we still spend money on it? Should it still be a priority?

> **When moving to a product-focused approach portfolio managers need to rethink requirements and how to determine when the right amount of value is achieved.**
>
> CHRIS SPANNER, JIRA ALIGN SOLUTIONS ARCHITECT

Instead of working to get as much work done by the end of the quarter as possible–focusing more on quantity than anything else–we look to our overarching business goals to prioritize our work. In many organizations this happens at the leadership level, using Objectives and Key Results, or OKRs.

For example, if the objective for the team is to increase the number of customers in a particular demographic, the teams only do work that drives toward that objective. These key results will have a specific metric assigned to them, so teams can test their ideas along the way and ensure that they're going to hit that metric.

Instead of managing to a static project plan, we keep a backlog of customer requests and other ideas, articulated with the value they offer, and bring forward the ones that will yield the most value at this time. We form hypotheses, make “bets,” and test out ideas. If they prove to be valuable, we add them to the roadmap. If they don’t, we either take a new approach or pull forward another priority from the backlog.

To pivot or persevere?

As teams develop an LPM approach to their work, they get into a cadence of continuously testing ideas. They get fast feedback and focus their efforts on the ideas that are yielding the right outcomes. If the feedback tells them the idea isn’t working, i.e. they’ve underestimated the effort, or it’s not resonating with customers, then the team can tweak the idea or scrap it altogether. The earlier they get this feedback the sooner they can direct resources toward the efforts that will yield the most value.

With the knowledge you gain from your experiments you will have enough information to decide if you should:

Pivot, and make course-correcting decisions that either stop current experiments or direct spending toward higher-value experiments, or

Persevere, and stay the course on research and be accountable for the results and use them to inform future experiments.

This approach to early, iterative product testing allows portfolio managers to look at everything on the roadmap as a set of hypotheses and corresponding experiments. You go from managing a project-based roadmap to shepherding a portfolio of innovation.

STAGES OF THE JOURNEY

CRAWL

Instead of writing up a traditional project plan with milestones and expenditures, consider the most important business objectives your team has to deliver on. What are the key metrics you have to hit in order to deliver on that objective? Get clear on the top priorities, then choose one stream of work to practice this new approach to delivering value.

WALK

In this single stream of work, focus the team's efforts on hitting one metric that supports an overarching business objective. Guide them into the new cadence of asking questions, investigating new ideas, and validating that their efforts will yield value.

RUN

As your organization gets more practiced with an LPM approach, only allocate resources to work that has gone through a rigorous prioritization process. Socialize your plans across the company to break down silos and come to a shared understanding about the problem you're solving together, each group's role, and know the metrics you'll use to measure the work.

3. Fund teams, not projects

Shift from annual budget planning to funding teams based on delivered value

In our work with enterprise customers, the biggest hurdle people have to overcome in their journey to Lean Portfolio Management is the transition from funding projects to investing in the work that will bring the most value to customers–and the company. This way, the most valuable work is prioritized. In fact, Gartner predicts that through 2023, a failure to change how work is funded will be a top barrier to implementing a product-centric enterprise.

At first, this transition seems risky and uncertain–especially for the portfolio manager. The traditional funding model is based on annual planning. All work and deliverables are judged by whether they are completed in the amount of time you estimated and for the predetermined cost. Any variance is considered something of a failure.

> In LPM, decision rights are held by portfolio managers who manage priorities by working closely with customers to stay up-to-date with their changing requirements. They communicate investment priorities to business stakeholders across the organization.

> **In the product model, we fund the outcome rather than the output. We based our funding allocation on data coming back from the users and changes in the market–all measured against OKRs.**
>
> **ALLAN MAXWELL, JIRA ALIGN SOLUTIONS ARCHITECT**

Instead of funding a project or a feature, you're funding a team and their effort in finding and delivering the best solution to a problem. You're not judged by your ability to estimate (or foretell the future). You're measured by how well your team delivered value to customers, and that value is measured against your OKRs.

As a portfolio manager, your first step is to acknowledge that your team's approach to solving a problem is only a hypothesis until it's been tested and proven. Your funding is not determined by time, and not even by the amount of work you complete. In fact, you may not rely solely on timesheets as the primary measurement of team success. You can shift focus to the results of your product feedback to judge progress. If the team is set up to deliver value, then we can count on them to turn a profit.

STAGES OF THE JOURNEY

CRAWL

Work with finance to develop new funding and governance practices that begin the transition from project-based and cost accounting. With these agreements in place, apply them to the development of a single value stream to allow your partners in finance to update their practices.

WALK

Fund a single product line, with several teams, for one or several quarters. Analyze your spending by tracking incremental investment, perhaps by story points delivered, against demos along the way. At the end of each quarter, come together with your finance team to analyze how your team delivered, lessons learned, and update your forecasting.

RUN

As your organization adopts more LPM practices, they'll find that product funding is a continuous process, from leadership down to teams, connected to business priorities. Funds are allocated to product lines, or value streams, with a clear connection to the business or operational value streams, and the entire portfolio's funding is determined by its teams and the value they're delivering.

4. Make the value visible

Move away from status reports to establishing tight feedback loops

In project-based work, teams have less control over how they solve customer problems and move the business forward. In a lean model, members of the product and development teams are asked to contribute value, not just work to a predetermined plan.

This is important because team members have traditionally tracked the value of their efforts by being “on schedule.” In an outcome-based model, teams need validation that they’re headed in the right direction, and the data to prove it.

One approach is to play “catchball,” when you respond to leadership’s strategic direction with data-based feedback. You can do this by regularly sharing the results of testing on current work, and socializing the business results of work that’s already released.

> **Stop focusing on features delivered and time spent. Instead, start talking about outcomes–key results and the objectives achieved.**
>
> **ALLAN MAXWELL, JIRA ALIGN SOLUTIONS ARCHITECT**

Likewise, your stakeholders need this visibility. As the organization gets used to a new way of working, people will need regular assurance that teams are delivering results against their objectives.

You can give this assurance to the teams–and the broader organization–by socializing the results of your incremental product research and validation.

This tells stakeholders what you've accomplished and gives them information that could be valuable to their work. For example, if leadership believed that the best way to grow a line of business was to target a new demographic, but they're not responding favorably to a new product feature, perhaps something in the market has changed, or a hypothesis about a customer need wasn't quite right.

This tight feedback loop can affirm the leadership's direction–or dispute it, and provide the option of redirecting the organization before more resources are wasted.

STAGES OF THE JOURNEY

CRAWL

Make your team's work visible in real-time, either automatically with a dashboard that's connected to their work tracking systems or via daily communications. Connect it to a higher-value initiative or a portfolio epic, possibly with a corresponding OKR defining the target outcomes. This helps people who aren't as close to the work understand why it matters.

WALK

When the organization is more comfortable working in an environment of uncertainty, characterize your plans as hypotheses and "bets." Socialize the outcomes of your bets and help people understand how you're using the new information you're taking in and how it may impact the overall business.

RUN

Establish a portfolio sync meeting with leadership (about bi-weekly) to gain visibility into how well the portfolio is progressing toward meeting its strategic objectives, including reviewing value stream and program execution and other investments governed by the portfolio.

5. Identify and clear bottlenecks

Break down silos and optimize your value delivery systems

In LPM, we want to create tight feedback loops not just between the leadership and the product and development teams, but across the organization as well. One way to do this is to borrow a technique from manufacturing called **value stream mapping**, which identifies and documents bottlenecks in the delivery system so they can be addressed and improved.

> **You must start by understanding your product delivery value stream and identify the bottlenecks that cause delays. Then, you can focus on reducing those delays.**
>
> TOM O'CONNOR, JIRA ALIGN SOLUTIONS ARCHITECT

In enterprise software, most of the bottlenecks are a result of communication breakdowns, often the result of siloed teams. When we use value stream mapping we look at the flow of "idea input" from sources like customer support, sales requirements, competitor analysis through the product teams who take that information and turn it into valuable outcomes to the end customer.

> For example, an ideal value stream looks like this: A customer requests a feature, the product teams design functionality, engineers receive the design and build the software, and the software is shipped to market. But what do we do if that feature doesn't meet customer expectations? Or, if it's delivered a lot later than expected?

Value stream management for software can identify points of waste between these stages. This process can identify problems that result in products being late because of incomplete designs or developing low-priority features, wasted time due to lack of documentation and poor communication at handoffs, or bugs and defects that slip through the cracks.

Hire a coach to accelerate agile transformation

Working with a coach that specializes in Lean Portfolio Management can vastly increase your team's success. In fact, Gartner found that 87% of organizations use agile in some or all of their development, but only 58% say they're seeing the results they hoped for in the form of accelerated product delivery. A coach can help.

An expert from outside the organization can bring a fresh perspective to the team. A coach can assist with role transitions and coordination between teams, a key aspect of scaled agile transformations.

An in-house agile coach will be aware of the cultural issues at play, and any compliance requirements that must be considered as part of the product development process.

STAGES OF THE JOURNEY

CRAWL

Choose a known communication problem between teams that people are motivated to fix. Map out the roles and activities and where the breakdowns happen. Create a best-state value stream map that people can use to track progress. Focus less on measuring improvement to the bottom line and more on improved relationships and decreased frustrations between the teams.

WALK

Implement solutions to problems identified in your value stream mapping exercise. Meet regularly to assess how well the changes are impacting the teams and if the breakdowns are getting resolved. As improvements happen, socialize these findings across the organization.

RUN

Using this same process, take the new learnings from this process and tackle an urgent business-critical problem. Involve people with experience in value mapping from the business side and also from the product team to conducting formal value stream mapping. Continue to make this work visible and share the benefits with the entire organization.

Align your portfolio management to business strategy and deliver more customer value

Moving to a Lean Portfolio Management approach is a series of transitions for all organizations. Change won't happen immediately, but by setting a vision that's aligned with the business and planning work by priorities, your portfolio will yield more customer value. And by making your learnings and successes visible across the organization you'll open up the channels of communication with other teams and build trust with leadership.

Interested in learning more about Lean Portfolio Management?

Take a deep dive into LPM and see how Jira Align will support your shift to a lean management approach.

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