AGILE PORTFOLIO MANAGEMENT

Achieve agility through all levels of your change portfolio

CONTENTS

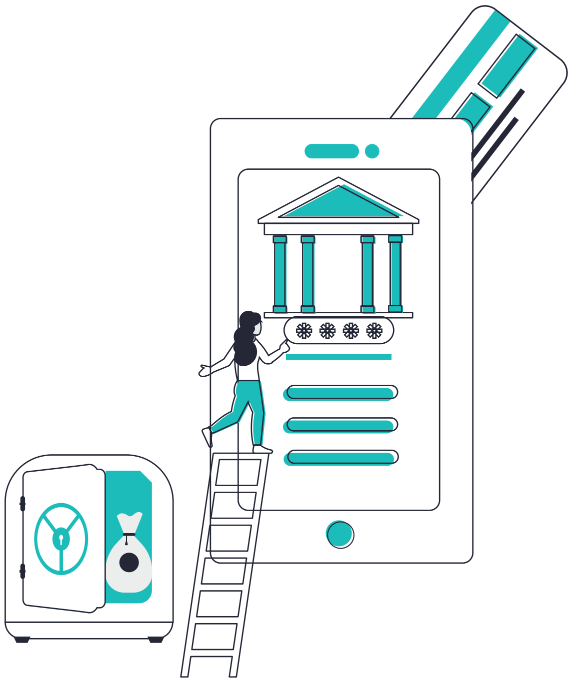
INTRODUCTION

Traditional portfolio management is about long term planning and budgeting. With today's quickly changing world you want to be able to respond quickly and adequately. The answer is to adopt an agile portfolio management planning cycle.

This point of view will cover the challenges of the agile journey, explain what Agile Portfolio Management is and what benefits implementing Agile Portfolio Management can bring to your organization. Furthermore, we will guide you through the five steps of implementing Agile Portfolio Management and how to get started within your organization.

Let's say you are in the management team of a large bank. Besides regulatory changes, you are occupied with upgrading the customer journey at the bank shop locations. Then COVID-19 hits. All your corporate customers need quick advice on their financing requests and business plans under these new circumstances. As a management team you must be able to quickly turn things around and allocate the right resources to new change initiatives like implementing video banking and virtual financial advice. Luckily you have an agile portfolio management process in place.

This point of view explains the drivers behind agile portfolio management, and it entails the 5 implementations steps.



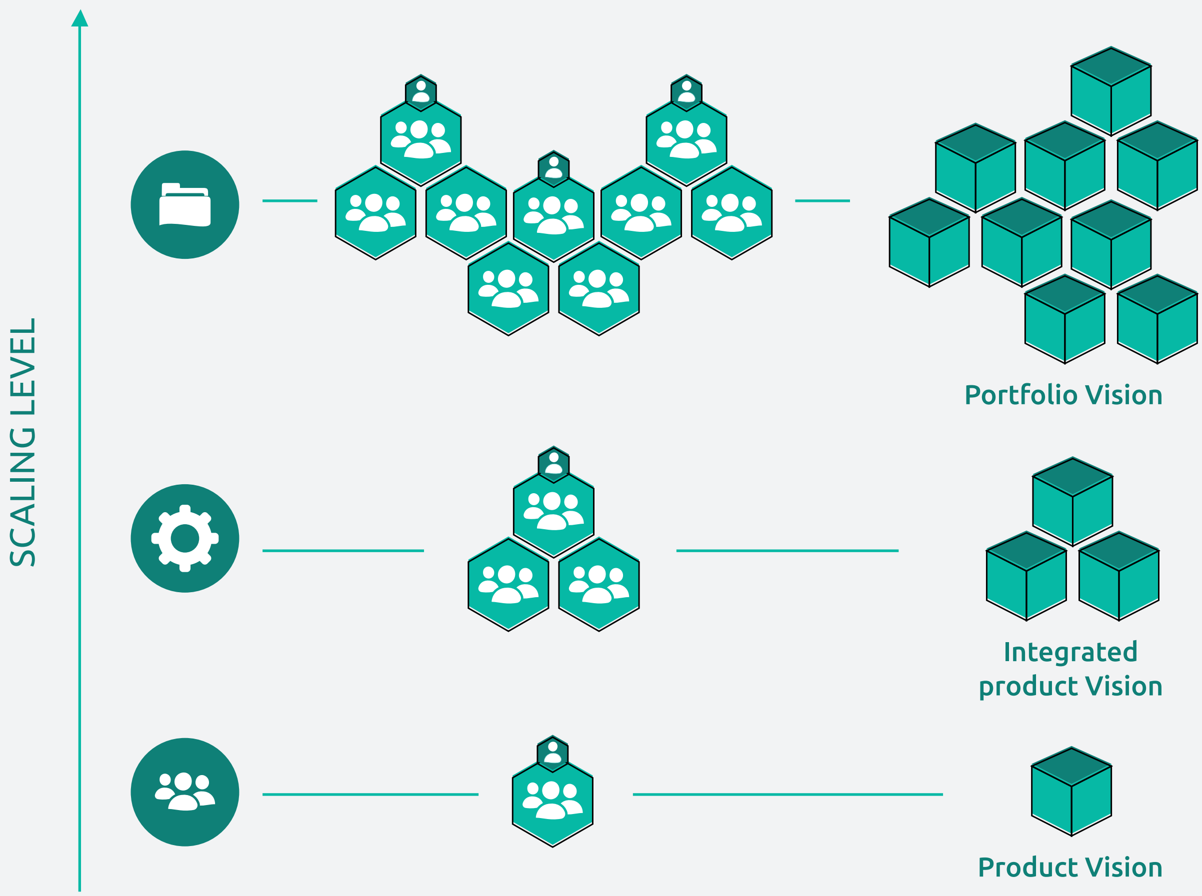
NEED FOR AGILITY

The fast pace of change in the (digital) world is driving the need for businesses to adapt quickly. Organizations need to be flexible, create the right change mindset and put their customers first, while remaining profitable. These major challenges require agility in all levels of the organization. Agile organizations can actively embrace change, dynamically renew itself, nurture a culture of lifelong learning and adapt to the requirements of a turbulent environment.

THE CHALLENGES OF THE AGILE JOURNEY

Organizations that are on a journey towards a (fully) agile organization come across challenges to align all teams around one common purpose to drive the value they deliver as an organization. This causes difficulties in aligning on priorities across the organization. Within an agile organization, the business must be flexible and quick in adapting its portfolio of change initiatives and with it its many factors like budgets, scope, priorities, resources and management. The traditional planning process for the project portfolio is not lean, making it hard for the organization to adapt adequately. Moreover, planning (more than) a year ahead is not realistic in today's world and rigid budget allocation, usually done in a yearly cycle, does not help either.

SCALING AGILE FROM TEAM TO ORGANIZATIONAL LEVEL



MANAGING DEPENDENCIES AND CREATING TRANSPARENCY

Implementing agility in portfolio planning, helps the organization to adopt a lean planning process in which activities and projects are prioritized based on the value they create for its customers and the business. With Agile portfolio management, organizations are challenged to apply agile values and principles, and manage dependencies beyond team-level. Agile portfolio management deals with how an organization identifies, prioritizes, organizes, and manages its work. This is done in a streamlined way to optimize the development of value in a manner that is sustainable in the long run.

To ensure agility across all different organizational levels - from project- or team execution level to the strategic level - there is a need to connect all levels. The portfolio of the organization brings these levels together and can be managed in an agile way. Organizations can create transparency and embrace uncertainty across multiple projects and scale their agile way of working through all levels of the organization. Strategic themes are recurrently set by stakeholders and organized around the business value streams. There are shorter planning cycles with multiple decision gates, as opposed to a main decision point at the start of the portfolio plan. Projects are defined and prioritized based on these strategic themes, and a (flexible) roadmap is set out to give direction and alignment on dependencies. In the planning cycles, feedback loops are incorporated for continuous learning and value assurance and teams are self-organized and decide what they do when, based on the direction and priorities set.

KEY BENEFITS

Lean budget

With Agile Portfolio Management, organizations set their strategic themes based on value for the business or the customer and they link this to the project portfolio. In addition, Agile Portfolio Management helps to allocate organizational resources to maximize portfolio's value in a transparent way.

Maximizing the portfolio's financial values

Linkage of the organizations' strategy to the portfolio

Balancing with organizations' capacities

Transparency of resources and work items

Focus on value

Projects or initiatives are only started when there are enough resources and budget to start. In this way the portfolio is balanced with the organizations' capacities and its financial value is ensured. The priorities are reviewed on a regular basis, for example through a quarterly business review, to ensure that the right initiatives are selected and there is a continuous focus on delivering value. Moreover, innovation is facilitated as part of the roadmap. Through setting the strategic themes and the continuous focus on value, the project teams are all working towards a common goal.

Common goal

Selecting the right initiatives

Focusing on value of increments continuously

Facilitating innovation as part of the roadmap

Alignment

Agile Portfolio management is about constantly ensuring that the organization is "doing the right things" and "doing things right". With Agile Portfolio Management, organizations implement a continuous feedback loop to better understand customer's demands. Inter-team dependencies are frequently managed in planning events which fosters collaboration between teams.

Inter-team dependencies are managed

Collaboration between teams is fostered

Client demands are better understood via frequent feedback loops

THE FIVE IMPLEMENTATION STEPS

Capgemini Invent can guide you to implement and adapt the Agile Portfolio Management cycle in your organization in a sustainable way. In our approach we look at the five levels of implementing Agile Portfolio Management successfully: Ambition, Interpretation, Roadmap, Organization and Realization.

AGILE PORTFOLIO MANAGEMENT CYCLE

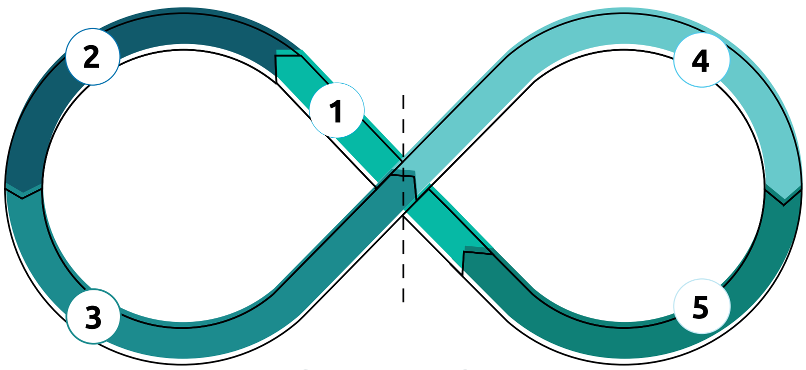
Interpret
Are portfolio objectives translated into realizable and value-based increments?

Identify
Are strategic goals and work planned in the business aligned?

Deliver
How predictable is the business in delivery, do they deliver on promise?

"Doing things right"
Do all initiatives support the business strategy and are they adding value?

"Doing things right"
Are the initiatives executed in a way that delivers the proposed value within the required time scales and cost constraints?



Select
Is the work prioritized and aligned across the organization?

CREATION OF BUSINESS VALUE

Monitor
What is the performance of the business, do they deliver value and quality in the most efficient way?

THE FIVE STEPS FOR IMPLEMENTING AGILE PORTFOLIO MANAGEMENT

3. ROADMAP

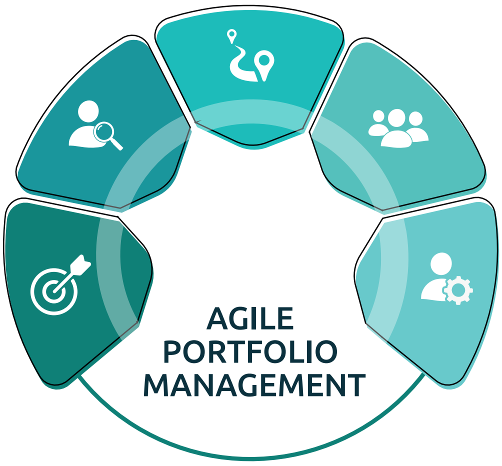
Based on the set priorities we determine the portfolio backlog and flexible portfolio roadmap

2. INTERPRETATION

Portfolio objectives into realizable and value based increments that are prioritized

4. ORGANIZATION

In a set cadence the teams across the portfolio will deliver value to the different value streams



1. AMBITION

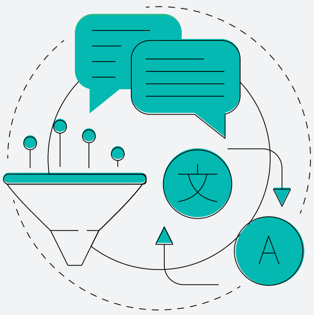
Strategic themes are developed to align the business strategy of the organization with the portfolio

5. REALIZATION

The realization is measured with value based metrics on portfolio dashboards

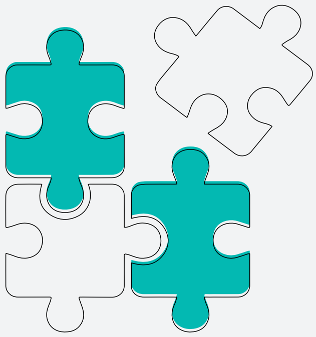
1. Ambition

A prominent question you should ask yourself here is: “To what extent are strategic goals and the work planned in the business aligned?” To align the business strategy of the organization with the project portfolio, the organizational ambition is translated into strategic themes. The management team and portfolio stakeholders analyze various inputs to establish a set of strategic themes around business value. These business goals need to communicate aspects of strategic intent to the portfolio, provide business context for portfolio decision-making and influence the portfolio strategy.



2. Interpretation

Are portfolio objectives translated into realizable and value-based increments? To do so, we translate the strategic themes from the ambition phase into realizable pieces of work. Objectives & Key Results (OKRs) are then used to break down the portfolio objectives into delineated and value-based increments that are prioritized on the portfolio backlog. These objectives are qualitative and aspirational goals that are ambitious, focused on output, easy to understand and supportive in prioritizing the daily business. For each Objective, 2 to 5 key results are set. The Key Results measure if the objectives are successfully reached.

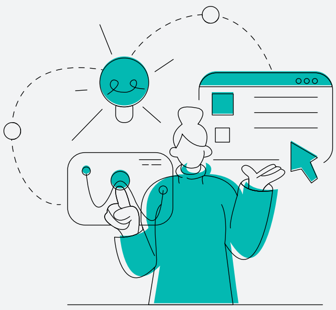


3. Roadmap

Is the work prioritized and aligned across the organization? When the value-based increments are determined, we prioritize them in the flexible portfolio roadmap. Projects are broken down into epics that are value based and realizable and are kept as small as possible. Epics are prioritized in the backlog based on attractiveness, risk or opportunity cost, time criticality and the duration. This is called the Weighted Shortest Job First (WSJF) method.

Epics are funded at the value stream level and not at a project or program level. Every quarter senior management decides how much money to allocate to each value stream, which translates into dedicated cross-functional agile teams getting funded. Moreover, epics are combined in the roadmap and pulled into the relevant program and/or team backlogs. They are translated into features and sequentially into user stories and tasks.

Furthermore, Portfolio roadmaps must have a universal cadence or a so-called heartbeat to increase throughput. This also means that throughout the roadmap, specific milestones are set to create learning loops. In addition, dependencies are identified on epic level, with inter and intra team dependencies.



4. Organization

How predictable is the business in delivery, do they deliver on promise? While priorities are set, and the portfolio backlog and flexible portfolio roadmap are determined, an organization needs to deliver value in a predictable way from “top-to-bottom”. The Objectives and Key Results (OKRs), will - as well as the adjustment of priorities - cascade from portfolio down to team level. Whereas, the realization of work with value assurance will flow, in the opposite direction, from team- to portfolio level. This leads to a realistic and up to date insight into the commitment, and progress of the portfolio and realization of its epics. To further enhance a set cadence in which the teams across the portfolio deliver value to the different value streams, Quarterly Business Reviews (every 90 days) help to manage priorities and dependencies across and within portfolios to avoid bottlenecks and inefficiencies in the delivery of epics and features. Finally, to ensure success, owner- and sponsorship at senior management level are key. This starts by engaging senior management in the setup of the strategic themes in the ambition level. Subsequently ownership is necessary at every defined level. This owner- and sponsorship helps to create a mindset that is focused on creating value, rather than on controlling business and IT.

5. Realization

Is the organization reaching its goals? Is it delivering business value and quality? Is the organization delivering this in the most effective and efficient way? Continuous and real-time insights in the actual performance of the business is highly important to stay on track and adjust where needed. Working as an agile organization means you want to know how you are doing, since you want to be able to change direction whenever this is needed. Within the realization phase you will measure if you are doing the right things and if you are doing them in the right way by use of a portfolio dashboard. These dashboards – with info on e.g. Customer Satisfaction, Employee Engagement and Time to Market - show progress on OKR’s and across portfolio level, as well as the funding of value streams and the alignment with budget allocation across the strategic themes.

EMBRACE UNCERTAINTY AND ACHIEVE AGILITY IN ALL LEVELS OF THE ORGANIZATION

“The only constant in life is change…”

…and change is happening more and faster in today’s world. It is therefore clear that organizations need to value agility to cope with the rapidly changing environment and disruptions. The journey towards an agile (portfolio managed) organization is challenging and organizations struggle to align all teams around one common purpose that drive the value they deliver. Agile portfolio management provides a framework to achieve agility in all levels of the organization. By implementing an agile portfolio management process, your organization can bring transparency and embrace uncertainty across multiple projects or initiatives and levels in the organization.

WHERE TO START?

Every organization is different, and it is important to determine what the ambition of your organization is in achieving agility. When you assess the gap between your organization's current situation and its ambition, you can map this gap to the five implementation steps. From here you can define the actions needed to achieve your organizations' goals and prioritize these actions in your transformation backlog. The Agile Transformation Team of Capgemini Invent is here to help your organization with its agile journey!

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