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APM Webinar: Q&A Follow-up

Video Transcript

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Kat Conner:

Hi, I'm Kat Conner from Accenture | SolutionsIQ. We've gathered our team back together again today after the last Agile Portfolio Management webinar, because we had a ton of questions that we just didn't have time to answer. So, we wanted to create some space today to go through those questions and see what we can offer back to this audience. So, I'm going to kick us off with one set of questions that we can chat about. There are a number of questions on here around how do I support change management? What is a change strategy for my organization?

So, specifically, my organization has just started the journey to change it from a traditional program office to a Lean Portfolio Management. So, what strategies can you share to help us on this journey? And what are the tough areas to transform as we go on this journey? So, kind of a multi-part question. So, I'm going to open it up to our panel and offer from our perspective, ideas that we've seen and supported within our clients.

And I will kick it off just to offer up. What are some of the best strategies to support from a traditional program office to a Lean Portfolio Management? I would say that key to Lean Portfolio Management is the ability to make very quick iterative data-driven decisions. And in order to do that, you have to have the delivery engine running well enough in order to have data coming back, to be able to have those kinds of conversations at a portfolio.

If that doesn't happen, then it does tend to be more status conversations and it does feel more like a traditional PMO. So, if there's a desire and I would say there should be a desire to switch from more of a traditional PMO, to our Lean Portfolio Management. We have to empower the people that are sitting on that portfolio with the right kind of information quickly enough to be able to make those kinds of decisions. So, that's like to me, step one.

Evan Campbell:

Well we said it again and again in the series that we really don't recommend organizations jump deeply into altering the demand side of the capacity-demand portfolio equation, until there really is evidence that the capacity or delivery side of the organization is in control. And that means that they're measurable. We're starting to look at outcomes of value as opposed to the kind of tertiary output metrics that we're used to tracking. And that they have a good enough basis of statistics with a low enough standard deviation in those, that they're predictable. That we can forecast future outcomes based on a projection on a backlog, so that we can actually force good trade-offs decisions on the demand side.

Aimee Palmer:

Yeah. And I think I've been key to that is one of the other things we talked about was the funding of persistent teams. Both at the individual team level and teams of teams when you get into talking about value streams or product teams. So, I think that's a key component as well.

Kat Conner:

So, what I'm hearing is there are building blocks that have to be present at least at some level of maturity, before it makes sense to actually stand up a lean... [inaudible] true portfolio. Otherwise, we're looking at more PMO like activities, to be able to support the initiatives or projects that are happening in your organization. I would say one of the other big things in order to shift behaviors and shift the paradigm over to a portfolio, is a willingness to make small bets and to define the incrementally those small bets and to use the data to make decisions because, if you don't have a cadence that you're actually getting stuff out, pieces of value, smaller things that you can make those trade-off decisions against. Again, all we're doing is a PMO level status kind of conversation.

Evan Campbell:

We got a lot of questions about assigning value. Including one where someone asked us, they said they don't want to just use the original business value of an unstarted Epic, but that they want to have kind of a burndown of the value of the Epic as it's being delivered. And to your point, we have to shift to a value base value centric, outcome centric view. We're kind of forcing the conversation of, "Now that we're delivering stuff really well. Are we delivering the right stuff?" And pushed back on the line of business and say, "As the content authority assigning value in prioritizing, are you doing a good job?" But we don't want them to come back and say, "You don't deliver anything." So, there's no point in that conversation.

So, what we are then trying to get to is, "Okay, it's fine if we only deliver three quarters of an Epic. If that is 95% of the value of that Epic." We want to be able to abandon that uncompleted work as our opportunities and priorities shift over time and ultimately, being able to decompose that Epic into features that may have value or just project the rate of value decay, across the stories that

make up in Epic. Often, that's a good enough heuristic. I'm not a huge fan, for example, of putting value points on ready user stories. That's a lot of overhead.

Tiffany Willis:

I do think there's a challenge. One of the big changes for organizations is they start to move towards Agile Portfolio Management, is actually ascribing value. We're used to estimating in hours and we've used that as an indicator of value and now what we're saying is we're moving towards Lean-Agile Portfolio Management is, what is the outcome of this thing? The value is, what is its impact to our business metrics? And we're not asking the PMO to run around and grab those values. Instead, we're asking the business partners to look at this as a true partnership and say, "What are the things that we can do to move the needle in our organization?" That's really the value. How that needle moves.

And it's a significant change for a number of organizations to start to think and behave in that way. One of the things that I would suggest is to be kind and be patient. This is you're trying to bring your business partners into this conversation. This is not something they are used to doing. And through PMO is traditionally used these other metrics. So, as you make the shift, it's important to do it together in your transformation and not, "Hey business guys, you now need to assign value and we're not going to do this anymore."

Josh Fruit:

I really agree with that. I'm curious if you guys have encountered something I have tended to encounter in this space quite a lot, which is, what's the one formula, the one algorithm that we can plug the numbers into to tell us what our prioritization should be? Or what our decision should be? And in my experience, I haven't found that one formula to rule them all. It's almost like there's a desire for something to kind of tell you what you should do. But really we still need smart people to make hard decisions using their years of experience. Their understanding of the market. Relationships with customers. And yes, a lot of good data that we can bring to the table. So, how have you guys helped patience in this space?

Kat Conner:

So, I think you're pointing to something that is near and dear to my heart, is how do we inject really good product management activities and understanding? And our understanding of value and our ability to influence investment decisions in the portfolio. So, going back to your point, Josh, having a one algorithm doesn't work for every product service solution set out there in the world. As a product manager, we look at how you attribute value against different leavers. Whether you're looking for innovation, whether you're looking to extend a new marketplace, whether you're looking to develop a brand-new capability. All of these ways of looking at products and services or solutions, along their life cycle, has a different value attribution

set. It's important at that stage of the life cycle.

And different ways to frame them in different quad charts or whatever you want to call it, to be able to support prioritization decisions. So, I think it's really important for me to start leaning on the people that have those product management skills, bringing them into these portfolio conversations, if they aren't already and supporting those folks to understand what's most important in the context of their product and service.

Evan Campbell:

Historically, we had a lot of challenges with wrapping back business cases, where something would get prioritized. We'd run ROI or time value of money, or whatever heuristics we're using to inform an intelligent decision to your point. We're not trying to create a fly by wire prioritization system that eliminates human intuition and intelligence here. But when you have so many intermediaries, be it the PMO, or some liaison group that's trying to interface between business units and delivery, you inevitably end up with poor accountability, a poor sense of ownership and inability to come back around and make sure that the outcomes that were promised in the business case are actually fulfilled.

And so, what we're really trying to do is move that control and accountability really into the people who need it for the success of their business initiatives. And it's also hard to assign value when you're disconnected from the business initiatives and the larger

strategic context of what they're trying to accomplish. And this is where alignment through OKRs having strategy that moves down from the enterprise to the business unit, to the PNL. Then it's much easier to put into context. Why would we work on this Epic? Why would we abandon this one halfway through? So, that context is essential.

Kat Conner:

Yeah, I think you're right, Evan. Having those quantifiable OKRs or whatever framework a client chooses. OKRs just happened to be wonderful. For Agile is really critical. Who we have on the portfolio making decisions. The structure people enrolls becomes equally critical. So, getting back to the PMO versus Lean Portfolio Management question. Sure, there's going to be folks that enable the data, enable and facilitate the conversation, but what we're really looking on these portfolios, are folks that are accountable, responsible, have direct PNL ownership or product ownership. Those are the folks that need to be sitting on the portfolio team, to be able to make these decisions. Otherwise, I'm not sure if it's you who said it or Josh, we're just getting folks to run around and get gather and great information, but there's no accountability in the investment decisions.

Josh Fruit:

So, along the lines of making these decisions, we received a question about governance structures. So, what kind of governance structures do we recommend for an organization

transitioning from traditional to Agile Portfolio Management? Well, that are making-

Kat Conner:

That's a loaded question, man. [crosstalk] Organization is.

Evan Campbell:

Yeah. Whatever kind of answer we give is going to inevitably We'll forget to... Yeah, there's technical governance. There's architectural governance. There're various forms of quality governance. Now, if we're constraining the conversation to governance around asset allocation decision-making, that's a narrower topic-

Kat Conner:

Let's keep narrow for this webinar.

Evan Campbell:

Yeah. So, why don't you guys jump in on that one then specifically.

Kat Conner:

Yeah. So, asset allocation, this is the classic one that I say all the time, you don't need a portfolio unless you're having to make hard trade-off decisions around scarce resources. That's the only reason you need to have a portfolio. So, using that as a guide and using kind of the mental model of, "We want to be able to structure the delivery of work so that a portfolio has direct funding. Has persistent teams and can be able to make its own decisions, minimizing dependencies as much as possible." And it has a whole lot in what I just said, but these

are constructs that we need to start thinking about.

The kind of governance that you need for portfolio management is directly related to the complexity of your organization, in my perspective. The bigger, the more complex, the more dependent. Unfortunately, the higher governance needs are needed at a portfolio, and you start to have layers of portfolios. From enterprise to line of business, or to product. The ultimate... And that may be necessary. Unfortunately necessary in the beginning as we're starting to shift the organization over to greater degrees of agility. I would say that whatever structure governance has put into place, I would have an eye towards desk mantling that, pushing decision making down, simplifying dependencies so that the decision-making, including portfolio decision making, can be made as closest to the delivery teams as possible.

Evan Campbell:

The governance associated with kind of optimizing enterprise outcomes from investments is going to occur at different levels within a business unit. So, everything we've been saying about teams stay together forever. So, the team is funded. Who gets to use the team's capacity might change. And so, if we've got two or three different products in a PNL, and we're noticing that one of these products is really on a poor growth trajectory. It's really moving towards sort of a sunset product, but we've got a very high growth, potential product over here. We might move some teams

through a quarterly or a semi-annual review process, over to the higher growth opportunities within that PNL. Similarly, probably at a slower cadence, we may even evaluate whole PNL's against each other and say, "This one's got six delivery groups. This one's got three. Is this really the way that we are going to get the highest results from the investment we're making in these delivery capabilities?"

Aimee Palmer:

Yeah. And I think a key component to this too, is there's not one size fits all as we've already said, and it can change over time. So, you may choose to align your portfolios in one way, in a given set of quarters or annual cycle. And as the needs change, that you were just talking about Evan, then maybe you shift, so there could be a large strategic initiative that comes along, that you actually organize a set of delivery groups and create a portfolio for that in and of itself, because it's such a key thing to deliver quickly. So, I think everyone needs to realize that this is changing over time, depending on what your business needs are and what the market demands too.

Kat Conner:

I also want to introduce the idea of there are different flavors of portfolio governance. We're starting to work with a lot of very large organizations that are wanting to bring portfolio to scale within their organization. So, that means Enterprise Portfolio Management versus Product Team Portfolio Management. And the questions and the decisions that matter

most at those different levels, are kind of unique. So, I think we need to take a look at what questions or what decisions do we need for this kind of portfolio.

For example, an enterprise portfolio, you're going to be bringing in the strategic view and helping to understand what are the set of capabilities or initiatives that are needed, across the entire organization to meet the top line metrics. You have an entirely different view down at the product portfolio. It's sure they'll still care about the strategy of their product, but there are going to be much more delivery execution-oriented in their portfolio management than you would be at the enterprise level. So, understanding the decisions that are needed and matter most, will drive some of those what flavor of governance is needed.

Tiffany Willis:

Yeah. Well, and one of the keys is those things always have to be aligned. And so, when we talk about governance structures for portfolio management, it really does include how are we linking that strategic side of it to the product portfolio delivery aspect of it? And that is, I think one of the areas, whether you're talking about enterprise or even just the product portfolio and how that rolls up into more traditional views, that's a really key piece for organizations to keep in sync.

Kat Conner:

That goes back to Evan, kind of using OKRs is kind of that glue that [crosstalk] pulls it all the way through.

So, value management gets really important at creating these capabilities that are aligned to each other. I'm just looking at the questions and seeing what else is here. This feels like maybe an opportunity to roll over to some of the lean finance area, because I tend to get asked lots of questions like, are we got a governance? We got a value stream? We've got stable, persistent teams? Then what? What do you do with funding? What do you do with this annual budgeting thing? How do you get finance interested in being active partners in portfolio management? Because they're key now, if we're going to be bringing in value and forecasting models. So, those are a number of the questions that I'm seeing here. Maybe we can shift our attention to that.

Evan Campbell:

Well, clearly, I don't know how many times we've said it. Lots of times. First of all, stop funding projects that... Projects are just incredibly destructive of the productivity and the value-delivery capability of the organization. You could have designed a funding mechanism that destroyed value more effectively, if that was your intent. So, what we're doing is, we're creating these persistent teams aligned around value. And the definition of value is something that someone's willing to pay for. And those are usually products or some sort of measurable value that's coming out of a value stream. And that's what we're funding. We're funding them in perpetuity, in the sense that all of these teams and delivery groups are funded. Who gets to... Who they pull work from? Potentially

changes based on optimizing the asset allocation process.

Kat Conner:

So, I'm going to broaden that a little bit, because what you just said is true. If the majority of your cost, I'm going to switch between funding something in the cost of something. If the majority of your cost is labor, and we're looking at these stable persistent teams as the majority of our costs. So, we're just trading and bringing the right kind of backlog items to those teams, which is a majority of our costs. Now, if we open up our book of business into the broader enterprise, we're starting to bring in operations in a number of other areas that have more capital-intensive costs that are not labor-focused.

So, we're going to need to, in addition to understanding the cost and capacity of a team. We also need to understand the kind of the cost model of the thing that we're making a decision against. Whether that thing is a strategic priority, initiative and Epic or whatever it is. So, there are different models that we'd have to bring into play with those conversations, to make sure that we are funding the entire cost of that particular initiative, more than just labor. Would you agree with that?

Evan Campbell:

Absolutely. Yeah. It's a good point. There are so many permutations of this. Obviously, capital assets are less fungible in terms of being able to turn over a bank branch to a different division of a finance company. That may not be as useful as handing them

100 development teams. So, every situation is different at the enterprise level, but your point is well-taken.

Tiffany Willis:

Looking at cost piece, when I think about Agile Portfolio Management and the cost and finance, I think about organizations. I genuinely hear two things, what did you build me? And how much did it cost me? And so, we talked a bit about the value side. We've talked a little bit about the funding the value but having those two views in sync. And so, one of the first steps I feel like I'm always bringing the finance team into is, for your organization, let's create a run rate for a team. We have to figure out how much that cost equation.

And then, we talked earlier about kind of creating a value framework or how you attribute value. I mean, those are two really critical pieces that the finance team has to be involved with, in order to, "Hey, are we going to... Or universally within this portfolio, use this value framework?" And here's what we're going to consider as the cost, whether that includes fully loaded costs or not, or capitalize, or how do we attribute for the tools? There's a lot that organizations have to think about when they start to put this together.

Kat Conner:

Yeah.

Evan Campbell:

And then one of the things that we found time and again, as we get into funding and move up even higher into finance, is that once you start to move from project to product and you're smarter about allocating assets, then you start to get into trouble with the whole budgeting process. That ends up kind of in a theory of constraints. What's the next bottleneck? Well, that's pretty predictable. And so, the friction and the overhead associated with making these asset allocation decisions prematurely, making them so that they're very rigid and hard to change, hard to incorporate new information. I mean, it's antithetical to Agile. We get a lot of questions about how do you get finance interested in moving towards more adaptable, budgeting, funding, planning models than traditional budgeting. I think all of us have found is that... Well, first of all, you just have to get a dialogue going with the CIO or his or her lieutenants.

And most of the time... I'm working with, certain several environments right now, where the CFO is just absolutely excited to have this conversation. In one case, it's a large bank in Africa, she just hates annual budgeting. She knows it doesn't work. She knows how wasteful it is. She hates nagging everybody in the organization to produce a bunch of numbers that are getting thrown out 60 days after the year starts. And she's like, "Really? There's a better way to do this." She's really embracing it and excited. "So, where do we start?", "Well, once we've got that enthusiasm." And not every CIO or CFO is going to react that way. Then the next conversation is, "Well, how do we pull apart budgeting?"

As we've said before, in the series and elsewhere, that the major goals

or functions of annual budgeting are asset allocation decision making, goal setting for the organization, both for performance management and setting goals for OKRs and things like that, for overall performance. And then forecasting, both to make sure that we've got cash availability for investment and operations, but also indicating to the public investment markets what to anticipate in terms of earnings and things like that. We all know how dicey that can get. Well, the first one that we usually tackle is forecasting.

Kat Conner:

Yeah.

Evan Campbell:

There's a couple of reasons for that. It's the easiest one to kind of pull out. It is the quickest one to show immediate improvements in terms of the performance of doing it a better way that isn't tied to an annual cycle. And the third one is, it's hard to do really good goal setting and asset allocation decision making if you can't see the trend of where you're headed. Part of making better flexible decisions about investments is, are we overperforming? Are we underperforming? Do we need to dial up or down our cash spend? So, the forecasting helps us do that more effective.

Kat Conner:

Yeah. I would say that for Agile Portfolio Management, is a key enabler to shifting this whole annual budgeting paradigm, because one of the biggest things about portfolio management is, iterative or continuous planning. Whatever continuous means for your organization, whether that's monthly or quarterly. If we really start to get in a cadence as an organization of making stop-start continue investment decisions, based on incoming data from the marketplace, based on input from strategy, then we're going to be able... There is no need for an annual budgeting process. You've got your teams running and you're constantly making those changes that are critical in the moment. So, that need for a longer-term view, other than large strategic bets becomes consumed or [inaudible] and the Agile Portfolio Management process.

So, getting finance to be key partner and Agile Portfolio Management is important as Evan said, because forecasting and looking at forecasting in a different way. Understanding different value that financial models that are appropriate for the kind of product and service that you're looking at. That really comes from the business. But it's also a huge supporting role or primary role in some organizations by finance.

Aimee Palmer:

Yeah. I mean, at the end of the day, you need to ensure that all three of the major components are represented. The matching or the demand side. The supply side and the matching side. And you really need people that are involved in the governance from all of those. It's a participatory conversation.

Kat Conner:

Yeah.

Evan Campbell:

One of the things we didn't mention in governance, but it happens a lot, even if you have the good fortune in your organization to have relatively discreet portfolios that can operate fairly autonomously with a lot of self-control and a lot of decision-making that doesn't have to be coordinated outside of that line of business sponsor's control. There always will be some kind of initiative that will come down like a bolt of lightning out of the blue, that will impact many lines of business or many product lines, many operating divisions. And the governance process has to have a means by which it can essentially assert a prioritization and still some capacity, for this huge cross cutting initiative that impacts everybody in a way that can be coordinated sequence the timing, so it gets done and basically just debit some of the working capacity of each of the portfolios that are impacted.

Kat Conner:

Yeah. So, debiting the part of the capacity of the portfolios is one way to look at it. What we're also finding with recent experiences for those priorities or initiatives that are really important, to like one of the top. One, two, three or five of the organization, actually looking at lifting capacity and to systems and creating a separate enterprise value stream that has its own portfolio management structure and direct funding, to be able to enable speed. To be able to go through the organization has been a pretty critical, I would say success story and a number areas that we've been looking at.

So, you've got two choices. To either take the initiative down and debit capacity away from teams within your dealing with a number of different portfolio processes. Everybody's prioritization model and roadmap model, or if it's really critical, doesn't lift the people in teams out and create your own independent value stream to be able to realize value much sooner.

That kind of gets into the other questions I'm seeing here is, how to structure teams? And there's a number of questions around how to go from projects to products? Feature teams? Component teams? Value streams? This is getting into how you structure the supply side. What in there do you think that is really important for folks to consider when it comes to how you think about structuring the flow of work within your organization?

Josh Fruit:

One of the things that just immediately comes to mind is you're always going to be optimizing for something. Then the question is, what are you optimizing for? So, each and every one of those kinds of structural options that you just listed and there are more, as we all know, is making some sort of trade off. They're optimizing for flow of value for a particular product line, or they're optimizing for kind of balancing dependency management across multiple different programs or portfolios. So, not as much speed, but more fairness in the culture.

And I would say I've seen just about everything at this point and what I most often run into, is organizations

that don't realize what it is that they're optimizing for with one structure or another. And that's typically where we can be very helpful and facilitate those kinds of "Aha" moments and then fall on discussions and analysis to determine really what is the right structure for you based on your business goals and what you're really trying to achieve?

Tiffany Willis:

Yeah. And then how to get there. So, for example, I've seen clients were actually going to a value stream-based optimization. They really need... It's too hard. It's too much. It's too big of a first step. And so, they start with capability. Let's just start it a little bit smaller. Let's get our feet under us and optimize for building or pursuing this capability and then we can start to expand out how that plugs into a value stream. But I've often found organizations that are... It's just how do we get started? At how to get started? So, start them small and get them taking just... I always say three steps, let's take three actions or three steps in the right direction.

Evan Campbell:

One of the things that's a really kind of an awful anti-pattern that I see a lot and it's tied in with this paralysis. People think this is a huge bet. We're going to do a big reorg. So, we have to have a perfect organizational design because, God forbid, we should reorg twice this year. So, we're just going to spiral endlessly about what the value streams are? How do identify them? What the primary organizational alignment mechanism in a matrix is.

Well, the reality is pretty much any organization this day and age, that's trying to flatten and deep bureaucratize and empower people, and decentralize and be more effective, is probably dealing with multiple overlapping types of teams. These are organizations that are becoming networks rather than hierarchies. And the tendency from big design upfront op model consultants is, "We'll give you a PowerPoint deck with a completely new org design and good luck implementing it."

Well, that's not the right answer. The actual reorg should be the last thing you do. You experiment with a bunch of virtual organizational structures. In most cases, you're going to have to take an incremental step to something that is not ideal, even though... So, for example, you've got a big service bureau that takes tickets and is totally specialized. Locally optimized. Has an SLA. It's the center of the spider web of every dependency matrix you design. Well, blow it up, but we're going to create component teams temporarily. Because that's an easier step to evolve through, to get to feature teams. But you're not going to keep component teams. But do you change all the reporting relationships? No, let it settle out. Try some experiments. Run at different ways in different parts of the organization, see what works and let the organization follow the necessity that's dictated by the reality on the ground.

Josh Fruit:

Evan, I think that's such a great example of one of the things that we mean when we say, "Become a learning

organization." There's no one answer to "What are my value streams?" There's an answer for the day and it won't be perfect. But if we're paying attention to the various feedback loops from the investments that we're making, the results that we're getting, how we're working together or not within the organization? Different cultural indicators. We're going to learn what's working and not, and we should evolve those value streams over time as we learn.

Kat Conner:

Go ahead, Tiffany, I'll give you the final say here.

Tiffany Willis:

No, it's Aimee, I think.

Kat Conner:

Aimee?

Aimee Palmer:

Yeah. I was just going to say, I think one of the things that's happening in the industry is these buzzwords of moving from project to product. Everyone gets wrapped around the axle of, "Oh, I got to figure out what all my products are." But really it's about what do you want to optimize around to what you were saying, Josh. And how do we organize

around that delivery of value? It may be an actual external product, or it may be an initiative, or it may be whatever makes sense for your organization to improve the speed to which you can deliver.

Kat Conner:

Well, right on, Aimee. And this has been a really great conversation. And I want to thank everyone for joining us as we answer some of the questions we gathered during our recent Agile Portfolio Management webinar. Thanks to everyone here for bringing their experience and insights. And if you would like to know more information about Agile Portfolio Management, check out solutionsiq.com/apm. Thanks and have a great day.

Josh Fruit:

Thanks. Great seeing all of you.