Agile Portfolio Management [1]

Henny Portman and Rini van Solingen

The more an organization uses an agile way of working, the more the need arises for a different control of the portfolio of programs and projects. Indeed, it will have to be consciously considered that this portfolio will be run agile. In practice, this is then referred to as: agile portfolio management. Rini van Solingen and Henny Portman discuss concrete practical measures to make portfolio management more optimal in an agile organization[2].

"The next step is to make portfolio management itself agile too!"

To centrally manage the totality of programs and projects, portfolio management has been set up in many organizations. Its aim is to organize the combination and sequence of initiatives in such a way that the underlying strategic goals are achieved in the best possible way. But by considering all the practical constraints and dependencies present, both externally (with customers, suppliers, and regulators) and internally (with teams, architecture, and strategic agendas).

This is a logical thing to do. After all, the totality of resources, time and capacity is bounded. However, with many more organizations using agile ways of working in the execution of those projects and programs, this has implications for this governance. After all, execution takes place by stable agile teams (often organized in chains of teams), making it necessary for portfolio management to take this into account. After all, steering via budgets, schedules and resources, shifts to governing via: roadmaps, backlogs, sprints, and teams.

The term used for this is: agile portfolio management. However, this can mean two things:

1. Portfolio management that considers when ordering the initiatives that execution will be agile - this is: portfolio management for agile execution (plan-based portfolio management).
2. Portfolio management that exploits the short-cycle benefits of execution for itself by making portfolio management itself more agile - this is: an agile way of working of portfolio management (discovery-based Portfolio management).

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[2] This article was first published (in Dutch) in AG Connect September 2022: *Agile werken? Dan ook agile portfoliomanagement.* The article was the starting point for the Dutch book Agile portfoliomanagement. An English version of the book was published in June 2023.

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The biggest opportunity to make organizations even faster, more agile, and successful today seems to lie mainly in that second variant: portfolio management that is itself agile (see also the table: Ten practical measures to make portfolio management agile). Indeed, this offers opportunities to make strategic choices in the portfolio more flexibly and to feed these choices with real data from real customers. The main advantage of this is that the intended impact of the portfolio can be achieved faster by scaling up earlier where the intended value occurs. And that capacity is therefore also freed up sooner by stopping those initiatives where the intended value is failing to materialize.

Many organizations have invested in recent years in making their organization agile, including through introducing agile ways of working, organizing in agile teams, and all the associated CI/CD infrastructure. This has not necessarily made the organization more agile. After all, project execution is only one part of production. The next step is to make portfolio management itself also more agile. This will optimize portfolio management and make better use of the possibilities of an agile organization.

Ten practical measures to make portfolio management agile		
1	Set up short-cycled portfolio management	Change the rhythm of portfolio management to a high-frequency rhythm. Coming together more frequently for smaller decisions is better than getting together rarely for big decisions. Apply a rhythm (organizational heartbeat) of short weekly meetings, monthly adjustment meetings and a quarterly to look further.
2	Reduce the number of parallel initiatives	Cross-functional agile teams are super powerful in delivering results predictably, but focus is a crucial precondition. Switching focus between sprints or (even worse) working on multiple projects during a sprint makes teams demonstrably less productive - 100% resource utilization means 0% flow. This calls for fewer projects at the same time. Finish one before the next is picked up. Fortunately, an agile organization is already set up for this because it creates a pull system (from the product backlogs). In addition, splitting up pieces of work and making them smaller is a core idea within agile, which strengthens the pull system and increases flow.
3	Shift portfolio control to delivered value	Portfolio management tends to focus on the output of projects and programs, because it is determined in advance which systems or functionalities will be delivered. Underneath this focus on output, however, lies an assumption. The assumption that that output will also lead to a certain outcome. However, this is not at all certain. Evidence is still lacking; it is only a (strong) suspicion. In agile portfolio

		management, it is therefore necessary to shift portfolio management (and therefore also progress reporting) from output to outcome. This results in short- cycled insights into which value has been realized and proven, and therefore provides insight into which uncertainty has been reduced.
4	Express choices in terms of possible scenarios, options, and hypotheses.	Portfolio management decisions are uncertain. They consist of assumptions that initiatives deliver value, they consist of assumptions that the chosen timelines are feasible, and they are made based on assumptions that capacity and competences are available. However, omnipresent uncertainty is not usually considered. Performing portfolio management in terms of possible scenarios and options, combined with choices in terms of hypotheses, helps to explicitly express this uncertainty. In addition, it helps to look further ahead in scenarios beyond current boundaries.
5	Reserve capacity to experiment	If uncertainty is recognized in portfolio management, it becomes logical to test assumptions as early as possible. Conducting (strategic and tactical) experiments in each sprint is then a good choice. Expressing uncertainties in terms of hypotheses helps to define such experiments. This means that assumptions in portfolio choices are tested, and adjustments made because of those tests. This can only be achieved if portfolio management has earmarked capacity for such experiments. Delivering short-term results and researching long-term options should be side by side on backlogs.
6	Involve product and business owners in portfolio management	Demonstrating success – the portfolio must help to realize the organizational strategy – and testing assumptions takes place in the development organization. The people who determine what is picked up first are the product owners and business owners. They can turn portfolio hypotheses into experiments that are at the top of the backlog for the next sprint. This feeds the portfolio process with real data. Therefore, involve product and business owners intensively in portfolio management and also while making choices. They have short lines of communication with the knowledge and know-how in their teams. There are typically several routes possible towards an intended goal for which the required effort differs greatly. That knowledge is extremely valuable when making trade-offs.

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7	Feed portfolio management with real data	Make portfolio decisions based on data and evidence, rather than opinions and assumptions. The short-cycle rhythm of agile teams offers the possibility to deliver data quickly. This creates a short feedback loop between portfolio level and execution level and greatly improves the quality of portfolio decisions. Portfolio management can be enriched bottom-up. OKRs (objectives and key results) offer good tools for this while considering an appropriate degree of uncertainty. In addition, not just internal data is desired, but external data as well – what is happening elsewhere, what is on the horizon, and which disruptive innovations may be relevant? Set up an Obeya that can be used by the product and business owners.
8	Make portfolio choices reversible	Due to the uncertainty of whether portfolio choices are correct, it is necessary to ensure that they can be reversed. This can usually only be achieved by first splitting them up and making them smaller. The result is a series of smaller choices, each of which is reversible, and they can thus be carried out as an experiment. Make use of MVPs (minimal viable products). Irreversible choices are only desirable after success has been proven. Success is then scaled and the need to be able to return becomes less and less important.
9	Grow delivery capacities	Many portfolio decisions are made based on current team performance, often under the assumption that it remains constant. However, the opposite is true. Therefore, keep investing in strengthening the realization power of teams. For instance, by making interdependencies between teams visible and reduced, increasing their cross-functionality, simplifying architecture, and investing in far-reaching automation. The more powerful the implementation organization, the stronger the impact of portfolio management. Such investments in this execution force are also part of the portfolio. Align the number of teams and their competences with the strategy; periodically review how many and what kind of teams will be needed for the portfolio in the future.
10	Continuously improve portfolio management	Finally, even portfolio management itself is not constant and can always be improved. Periodic improvement and learning by doing are part of this. Retrospectives are an excellent tool for this.

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Order the book here:

https://www.amazon.com/Agile-Portfolio-Management-strategic-agility/dp/B0C6W5KBS5/ref=mp_s_a_1_4?crid=16TFF6G8A61JY

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Henny Portman, owner of Portman PM[O] Consultancy and was partner of HWP Consulting, has 40 years of experience in the project management domain. He was the project management office (PMO) thought leader within NN Group and responsible for the introduction and application of the PMO methodologies (portfolio, program, and project management) across Europe and Asia. He trains, coaches, and directs (senior) programme, project and portfolio managers and project sponsors at all levels, and has built several professional (PM(O)) communities.

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