iLPM - An interim model to Lean Portfolio Management.

Neil Creasey, ExecutiveAgility.com.au, 2021

Problem statement.

The transformation to agile ways-of-working models provides end-state visions on an idealistic framework state. In the early months of a transformation, we are far away from the visioned state and must prioritise on what transformational activities we pursue.

One 'elephant' in this arena relates to Lean Portfolio Management or LPM and its Lean Budgeting funding model.

LPM is portfolio management that adopts lean principles to minimise waste, simplify process, and make decisions as late as possible. It includes a core principle of applying funding to teams in value streams that is often in stark contrast to the current context (pre-transformation) where businesses use portfolio management to identify which projects to fund, and fund the work.

This real-world problem has been addressed through iLPM. An interim model to LPM.

Current context and the vision

Topic	Current	Vision
Funding	Fund projects	Fund value streams/teams
Planning	Annual planning	Continuous planning
Budgeting	Annual – once, changed by exception	Annual – reviewed on cadence, change to suit value propositions
Selection	Business cases up-front	Hypothesis statements as late as possible
Accounting	Cost of projects	Value of outcomes
Governance	Heavy & centralised	Lighter & (mostly) decentralised

This table is a typical representation to highlight the size of transformation gap. Recognising that addressing some of these changes require fundamental adjustments to the use of (for example) project modules in accounting systems, and some change must align with aspects of your corporate calendar especially budget & funding planning, and financial year boundaries.

Implementing LPM is therefore (at least) an 18–24-month activity which will be occurring along-side other transformational change activity in your enterprise.

Hence an interim model to LPM that can be deployed in weeks, and works towards the ultimate vision by initially only changing the easy-to-change aspects and supporting most of the change to occur incrementally without impact to the iLPM Model or the integrity of the end vision is a valuable stepping-stone to full LPM.

Pre-requisite primer

LPM

LPM uses a Kanban flow system to progress portfolio opportunities, and the headings of that Kanban are fixed thus:

Funnel	Reviewing	Analysing	Portfolio Backlog	Implementing	Done

The LPM model is light-weight, and adopts Lean Start-up practices of hypothesised business cases, minimal viable products, and lean principles of decisions just-in-time, and minimalizing waste (mainly not producing business cases for work that won't get done).

LPM funds value streams of teams of people and effectively brings a head-count cost model to capital activity.

Further suggested reading: https://www.scaledagileframework.com/portfolio-kanban/

Lean start-up

Lean start-up is an iterative model of experimentation using a learn-build-measure cycle to rapidly prove ideas using a hypothesis-based approach.

I hypothesise that implementing this LPM Opportunity will result in a short list of measurable outcomes in a given time (mainly lead indicators), I can test early that this opportunity is delivering towards the expected benefits and can therefore 'persevere' with it. And if it is not yielding the hypothesised results I can 'pivot' with the choice to stop altogether, or re-frame the hypothesis.

Further suggested reading: http://theleanstartup.com/principles

Design thinking

Design thinking is a five-step process to bring a customer centric perspective to creating products or solutions to problems. The steps are often labelled "Empathise, Define, Ideate, Prototype, and Test".

It is closely associated with the Design Council's framework for innovation using the 'double

diamond' model. Each 'diamond shape' represents the action of divergent thinking to generate ideas, and then convergent thinking to identify what to focus on. The first diamond looks at the 'problem' and the second diamond addresses a 'solution' to the identified 'problem'.
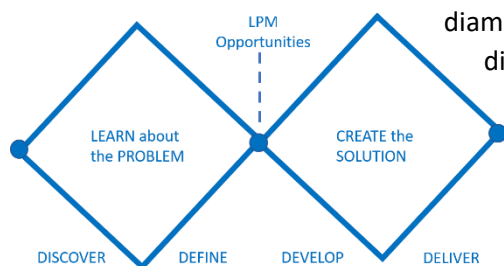
The steps of 'Discover, Define, Develop, and Deliver' shown in the figure, along with the 'LPM opportunities' shown are not definitive labels and map well to Empathise, Define, Ideate (the opportunity), Prototype, and Test.

Further suggested reading:

https://www.designcouncil.org.uk/news-opinion/what-framework-innovation-design-councils-evolved-double-diamond
https://www.interaction-design.org/literature/topics/design-thinking

The interim model to LPM – iLPM

Objectives

iLPM needed to address a number of objectives:

- **Quick to initially apply** – keep the difficult-to-change LPM aspects as-is yet implement the easy-to-change aspects up-front
- **Easy to understand** – being based on industry standard components it is teachable and referenceable (almost intuitively)
- **Accommodate the way we work now** – flexible on how certain 'steps' of the model are implemented recognising different business areas in the same portfolio may have different operating models
- **Able to grow iteratively** – it is a stepping-stone from pre-transformation context to full transformation with LPM so must enable and move the enterprise in the right direction.

iLPM Model breakdown

The iLPM model has five distinct areas:

1) LPM Kanban
2) Design Thinking steps (first few only)
3) Lean start-up
4) Delivery execution
5) Value flow

INTERIM MODEL FOR LEAN PORTFOLIO MANAGEMENT - iLPM

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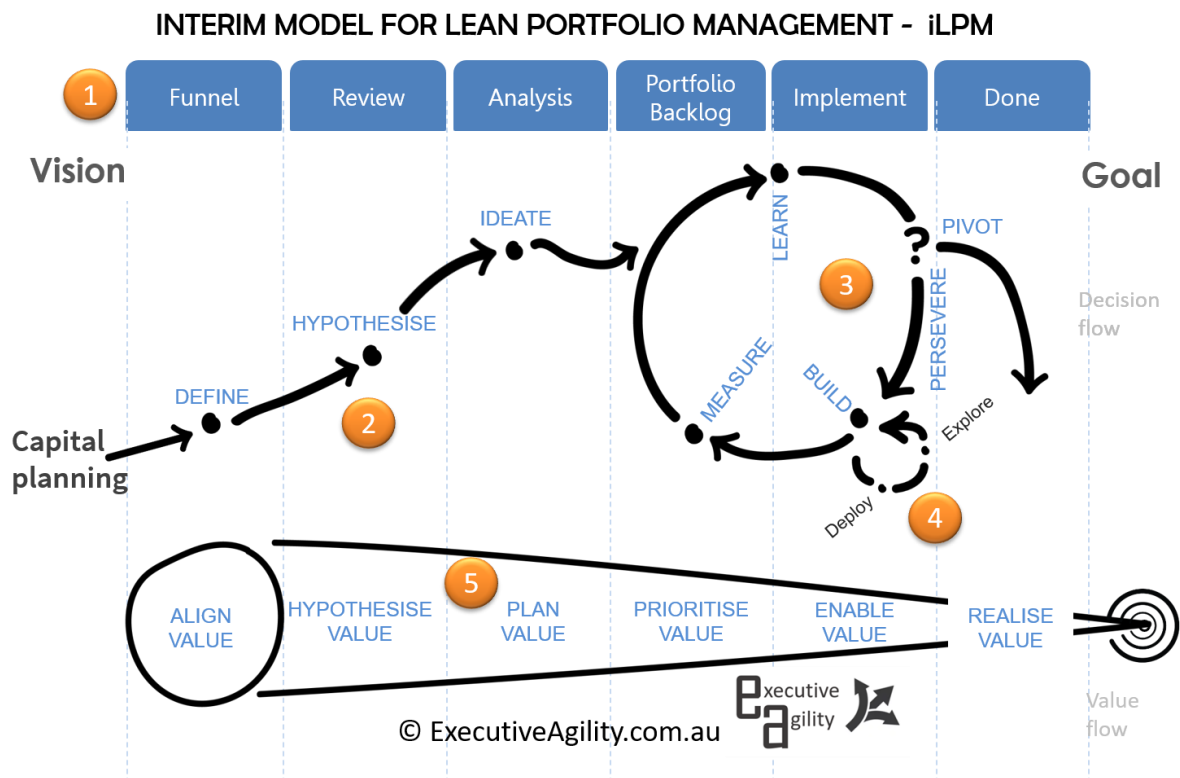
iLPM implementation

The following narrative should help clarify intent of the iLPM model against the principles outlined.

LPM Kanban

Complete alignment with the LPM Kanban ensures iLPM has a clear path to LPM.

Actions in the iLPM model are also deliberately positioned to align with the respective Portfolio Kanban column. Capital Planning is also shown 'outside' the Kanban as funding work is not part of LPM.

Design thinking

Only the initial steps are shown as we take defined opportunities, through a business review applying hypotheses, to ideate what can be done and we want to be done, hence placing qualified portfolio opportunities on the Portfolio Backlog. Effectively just to discover and define opportunities.

Initially the capital planning process is likely to be cost-assessing every funnel entry against a business case, so define-hypothesise-ideate could be a path you walk multiple times per opportunity as an ever-improved cost is sought. A further improvement is for any innovative idea to be permitted into the funnel, and the review and analysis moves business cases to a light weight business canvas and hypotheses and ideates on possibilities to give delivery teams a better say on how to design, develop, and implement.

You can take away funding of work and move to funding of value streams/teams at any time with iLPM.

Lean Start-up

While we are funding opportunities (as projects) we have the 'productivity' mindset centred in 'cost' and make case-by-case assessments on what is the next best opportunity to take on given the availability of skill set and utilisation of the workforce.

We learn, build, and then measure if we have finished and can take on the next opportunity. We only pivot when the original scope is complete or a project change cannot be funded.

As we transition to value stream funding, we have a 'investment' mindset in 'value' and make case-by-case assessments on what is the next best opportunity to take on given the relative value the choices offer (from a customer centric perspective).

We learn, build, and measure if we have done enough and should now invest in a different opportunity. Here we decide 'Persevere or Pivot?' based on value economics. This maturity needs to happen in synchronisation with hypothesis-based planning so the economic measures we need are known.

Delivery execution

Explore-Build-Deploy is based on the end-state iterative delivery model (specifically the SAFe® Continuous delivery pipeline - Explore-implement(build)-deploy), yet this will work for non-iterative delivery and other models that can define these stages. Traditional delivery will just spend a long time in build and thereby reduce the overall agility of the iLPM model – however the agile transformation will be rectifying this 'problem' in parallel as delivery teams adopt agile ways of working, so from an iLPM perspective it is a self-healing issue.

Initially we are blindly delivering what we are told to do by the Lean Start-up process.

Over time we are needing to be more innovative and have a greater voice on how solution designs are explored, built, and deployed. This will be naturally accelerated as less prescription will come as the Design Thinking aspects are adopted.

By using iterative delivery on a build cadence (E.g. Scrum/Kanban on a 2 week cycle), the delivery execution activity will dictate the flow of work from Lean Start-up, which in turn will pull new opportunities from the Portfolio Backlog. This model works irrespective of the cadence period but better value will come from smaller cadences with a typical end-state being a delivery execution cycle of up to 2 weeks.

As you move from traditional delivery to agile delivery the way the iLPM model supports a value mindset improves. Likewise, improvement in the Design Thinking process feeding the Portfolio Backlog will manifest in improved value outcomes.
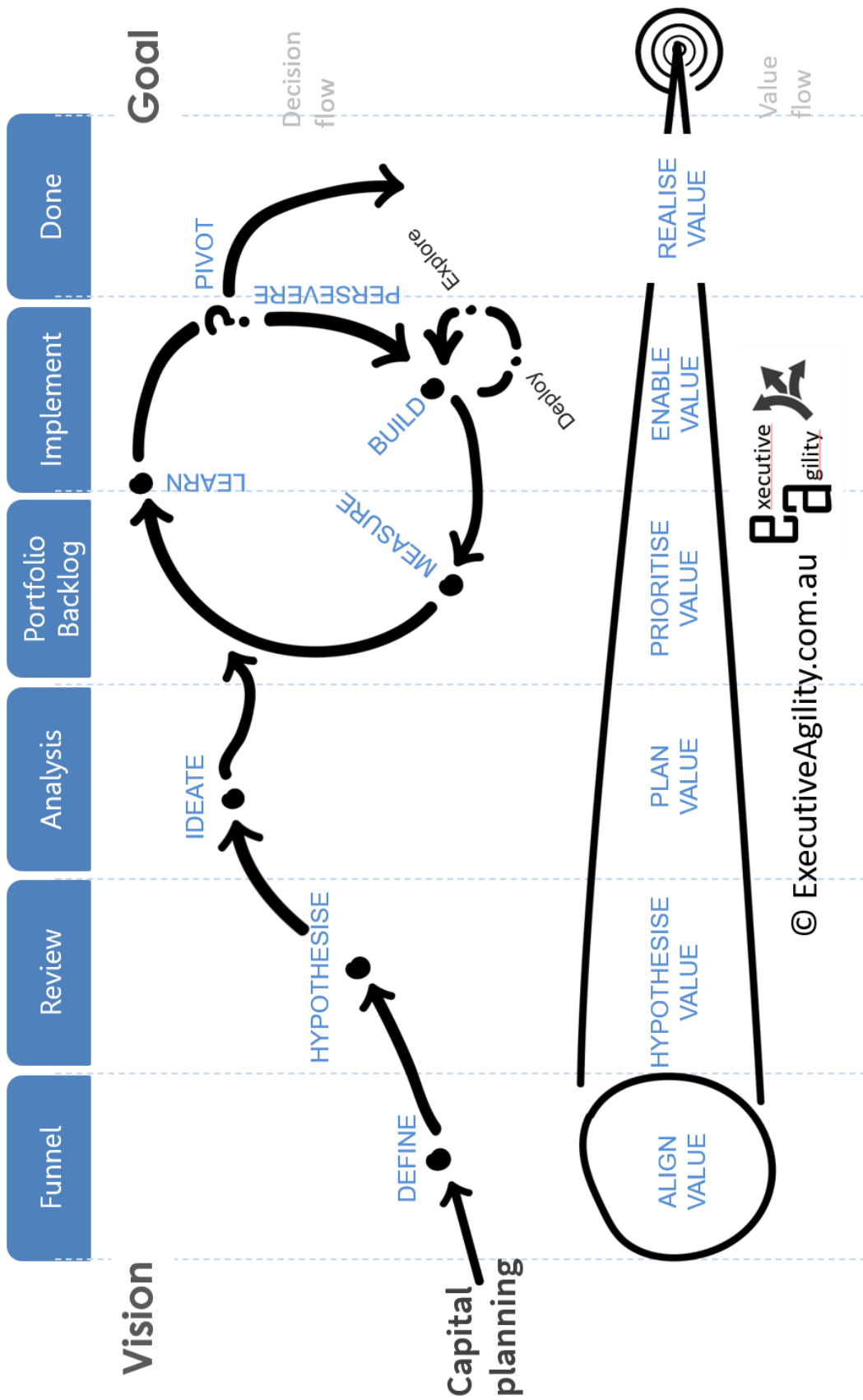
Value flow

Portfolio Management & LPM is about delivering value, and hence iLPM includes value prompts in the value flow part of the diagram.

From a value lens it highlights what value-based activity should be occurring at each stage of the Portfolio Kanban. Initially this may be close to nothing, and can be easily added using narrative prompts in the tools that support the portfolio investment artefacts – for example a product like Atlassian's Jira could support Portfolio Epics with a value Hypothesis narrative.
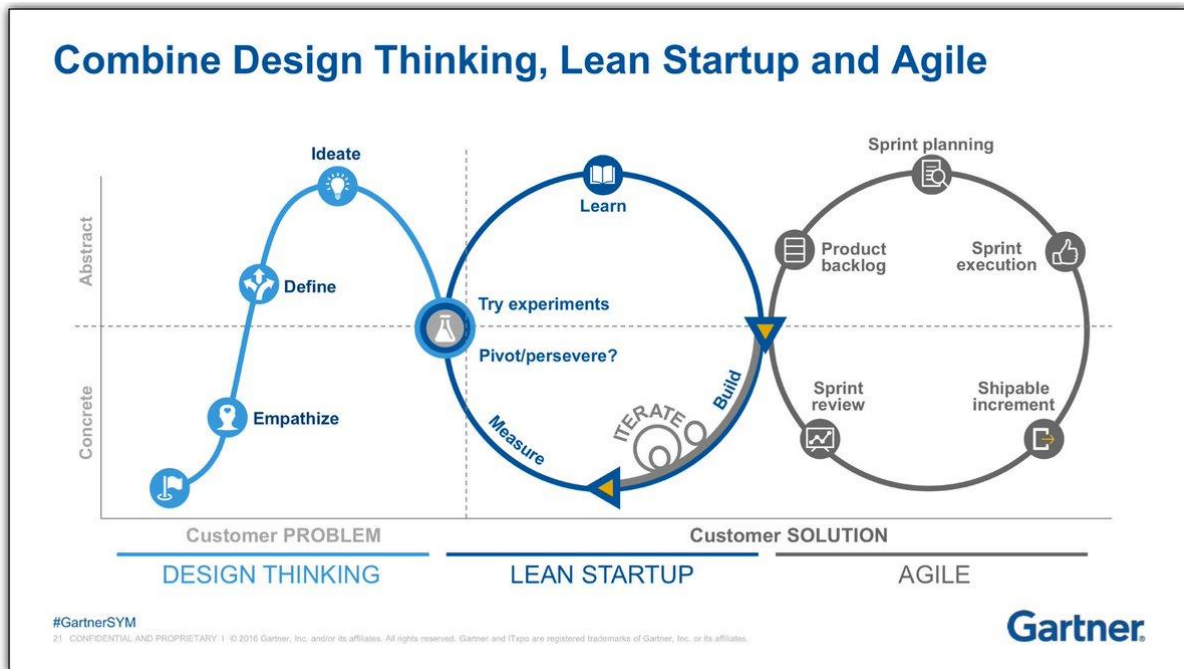
iLPM does not identify how to measure the value that the process realises, so it can fit with what you already do. Value is however best measured by the customer or consumer of the products/project outcome against a range of measures that are not cost focussed, like the net promoter score.

iLPM Model

INTERIM MODEL FOR LEAN PORTFOLIO MANAGEMENT - iLPM

Vision

Goal

Funnel · Review · Analysis · Portfolio Backlog · Implement · Done

Capital planning

DEFINE

HYPOTHESISE

IDEATE

LEARN

BUILD

MEASURE

Explore

Deploy

PERSEVERE

PIVOT

Decision flow

Value flow

ALIGN VALUE

HYPOTHESISE VALUE

PLAN VALUE

PRIORITISE VALUE

ENABLE VALUE

REALISE VALUE

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Concluding note

The iLPM model was inspired by the following Gartner reference.

iLPM shows how a hybrid of models can serve a purpose as an interim pragmatic model as an enterprise transforms to a new agile-way of working.

The iLPM diagram can be used and reproduced with acknowledgement to the author.

It is a generic re-creation of more specific consulting work the author has applied during agile transformation activity.

About the author

Neil Creasey https://www.linkedin.com/in/ncreasey/ is a senior enterprise agile leader who have had significant involvement in, and led agile transformations for mid-large size enterprises.

Portfolio Management is a personal specialism of Neil, with a focus on optimisation techniques. He has been a SAFe® Program Consultant since 2014, and knows and applies SAFe® LPM. His research includes the application of financial portfolio management math to project portfolio management situations.

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