ATLASSIAN



Should you pivot or persevere?

How to analyze your lean portfolio investments and deliver high-value outcomes

Empower teams with data that drives innovation

The real value of your company is directly tied to your enterprise agility–your ability to realize your maximum potential in the face of constant change. Successful leaders set teams up with the data and insights they need so they can turn the unexpected into an opportunity and capture more customers through innovation.

So how can portfolio managers know if the investments they're making–in time, resources, and money–are going to yield the outcomes the company needs?

The answer is to make small, smart bets on your long-term goals. How? By forming hypotheses and testing them out in short and sweet iterations, and then using the findings to determine your course.



Take an iterative approach and deliver incremental value, without waste

When teams get into a cadence of continuously testing ideas, they get fast feedback and can manage the course toward the ones 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 know this the sooner you can direct your resources toward the right investments. 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.

Value engineering: Managing your portfolio via experiments

Portfolio managers can take on this outcome-driven mindset–a framework called **value engineering**–which is enabled by an experimental and evidence-based approach. This usually starts with overarching, long-term guidance delivered by leadership–possibly a mission statement–followed by short-term goals, like quarterly Objectives and Key Results (OKRs). Whatever form the guidance takes, portfolio managers should begin the work of value engineering with the company's end-goals in mind.

These three basic principles illustrate how to manage your portfolio toward outcome-based bets that drive value:

1. **Hypothesize:** Articulate your idea, then quantify what you believe its value is, and how you will know when you've realized it.
2. **Make bets:** Test your hypothesis with experiments to gather feedback and information that will help you choose how to make investments.
3. **Pivot or persevere:** Learn early and often what's yielding value and what's not. If something is working as expected, stay the course. If it's not, refine the idea and test again, or abandon it altogether and move on to the next bet.

The main benefit of testing your ideas is learning what's valuable to customers and your business. The focus shifts from feature count and story points to building the right product. In fact, building less is often more desirable if the work focuses on higher-value outcomes. This is accomplished by working in smaller bets, instead of big, multifaceted projects. Small bets of work include experiments executed in fast feedback loops. They limit the risk to investments and keep your initiatives in a recoverable state by never being too big to pivot–nor too big to fail.

ABOUT VALUE ENGINEERING

This new approach–enabling teams to deliver their best work while getting the feedback that signals investments are paying off–is called value engineering.

Value engineering is an evidence-based approach to product strategy and development framed around collecting data through fast and frequent experiments and using the information you gather to inform product investment decisions. It is a system of developing hypotheses, determining a set of success criteria called "bets," then, after you conduct experiments, deciding to pivot, persevere, or stop what you are working on.

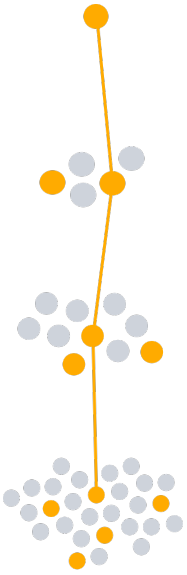
Above all, it is a mindset shift, at all levels, that seeks to gather insights over sticking to a plan that may be out of date before you even begin working.

Scenario: How to decide what to build to reach a new market

Here's a hypothetical scenario to illustrate these concepts:

A mobile-only bank offers financial products specifically for low- and middle-income earners. Its mission is to help people save money, build wealth, and recover from financial setbacks. Initially, the company targeted a young demographic–students and recent grads–and now it wants to expand into a new target market of people in the 30- 40-year-old demographic.

A value-driven approach



BUSINESS OUTCOME

What is the strategic business goal we're working toward?

IDENTIFY OPPORTUNITIES

How can we achieve this business outcome?

BUILD YOUR HYPOTHESES

How can we best explore this opportunity? What do we think will have the most impact?

PLACE YOUR BETS

What experiments can we run to test our hypotheses so we know if it's the right solution?

In this approach, all work is in service to the target business outcome. Teams consider all their opportunities, then generate ideas about how they can best take advantage of them, within the constraints of available resources. They pick ideas, then conduct experiments–called "bets"–to see which ideas will yield the most valuable outcome. With their findings they decide: pivot or persevere?

Here's how you, in this scenario, can direct your investments toward this outcome:

Business outcome

The bank's leadership gives the directive: expand their market so that 20% of new customers captured over the next two quarters are in the new target market. This is the outcome you're driving for. This number–20% of new customers over two quarters are in this target market–is also our lagging indicator.

Identify opportunities

With some context, such as competitive analysis and market research, leadership guides the teams toward opportunities to achieve this business outcome. Together, you look for the most promising opportunities for landing this new type of customer.

Let's say that the executive team delivers these research findings:

This target age group:

- Has multiple financial accounts with different companies
- Is hampered by significant student debt
- Generally feels overwhelmed by their finances

The team identifies an opportunity: Offer personalized financial education content that builds trust in the bank and captures these new target customers. This offering speaks to the customers' needs and helps the bank reach its goals.

Build your hypotheses

With this background information, you, the portfolio manager, focus the team on execution: How might we best explore this opportunity to achieve the bigger outcome? What do we hypothesize will have the most impact?

Some ideas the team develops:

- Build a budgeting tool for people with significant student debt
- Help people understand their credit score and how it impacts their borrowing power
- Update the accounts dashboard design to display data in a way that's meaningful to this target market

For each hypothesis that you pursue, quantify its value to the business and how you'll know if you're realizing this value.

Here's an example of how you can write this for the dashboard design hypothesis:

WE BELIEVE THAT...	WE WILL THEN...	WE WILL KNOW THIS IS TRUE WHEN...
by updating the accounts dashboard to reflect the financial needs of the target market...	be able to offer personalized content that inspires them to create an account.	10% of the target complete the dashboard set up.

This metric–10% of people complete the dashboard set up–is your **leading** indicator. Its purpose is to tell you if you're on the right track and if this work will help you reach the bigger goal of 20% of new customers in this new target market two quarters from now.

You also want to track the effort against the value of the final dashboard product. In our hypothesis, we've estimated that if we build it right it will bring to the business $400,000 in value, as expressed by a portion of this new target market, another **lagging** indicator.

If we can get that 10% of people to complete the dashboard set up, our leading indicator, this team will be on our way to delivering $400,000 in value, one lagging indicator, and helping the organization meet the ultimate goal of 20% of new customers in the new target market.

Is this dashboard design work a small piece of the puzzle? Yes, and you'll probably conduct more experiments on other ideas, as will other teams. With a series of experiments, you'll find ways to turn multiple opportunities into successful outcomes. And your teams will gain the confidence that you can meet that goal with the budget and resources you have.

> **Tip:** You will work with your teams to break down all of the ideas into small experiments. You don't want to assume you can reach your goals with your first ideas and just start building them. You want to experiment with multiple ideas, iterate on each one, and create feedback loops that are short, inexpensive, and yield just enough insight to tell you what to do next.

LEADING AND LAGGING INDICATORS

Indicators are metrics that describe current conditions and forecast trends and likely outcomes. When you know the difference between leading and lagging indicators you'll know what you can influence now to get the outcomes you want. Then you can measure the outcomes to see if you reached your goals.

Leading indicators measure what's happening now so you can get insight into the future. They tell you if you're on the right track and, if not, help you understand how to course-correct. Oftentimes, you have to set up specific tests to collect the data you need to see where you are.

An example of a leading indicator:

Percentage of test users who give a thumbs up to the new dashboard design: 70%

Lagging indicators quantify where you are now and are typically "output" oriented. They're easier to measure, but since they quantify the results of activities in the past, they're difficult to improve or influence.

An example of a lagging indicator:

New accounts opened by the target market in Q2: 20%

Place your bets

Let's look at the dashboard design idea and how we can find out if it's one worth pursuing. One experiment may be:

- Test a prototype of a dashboard tool to find out if the graphic display is meaningful to the target market.
- Leading indicator: 70% of test participants give a thumbs up to the design

This bet phase is used to gain information, reduce the risk of executing the wrong design and wasting resources, and raise confidence that you can deliver the outcomes you've hypothesized.

In this phase you should:

- Track the research and prototyping methods, so you can determine if you're getting the right kind of data.
- Track all expenses related to testing so you can be sure you're not over-investing relative to the value of the product. You shouldn't make any big investments, such as actually building out a working dashboard complete with integrations or data visualizations. Only test the prototyped designs.
- Track the cost of the team that will build the prototype and the team that will conduct the user testing and any other research expenditures.

> **Tip:** It's important to keep your stakeholders informed along the way so they understand your decisions. Seek them out when you have feedback to deliver, then you'll have their buy-in at the point of deciding if you should continue with the hypothesis or rethink your approach.

THE IMPACT OF VALUE ENGINEERING ON TEAMS

Value engineering isn't just about saving time and money; it's also about illuminating for teams the correlation between their effort and its impact on the company's success. They can see how their work is connected to the broader organizational goals and it can give them a strong sense of purpose. This connection can have a powerful impact on the company culture with beneficial returns.

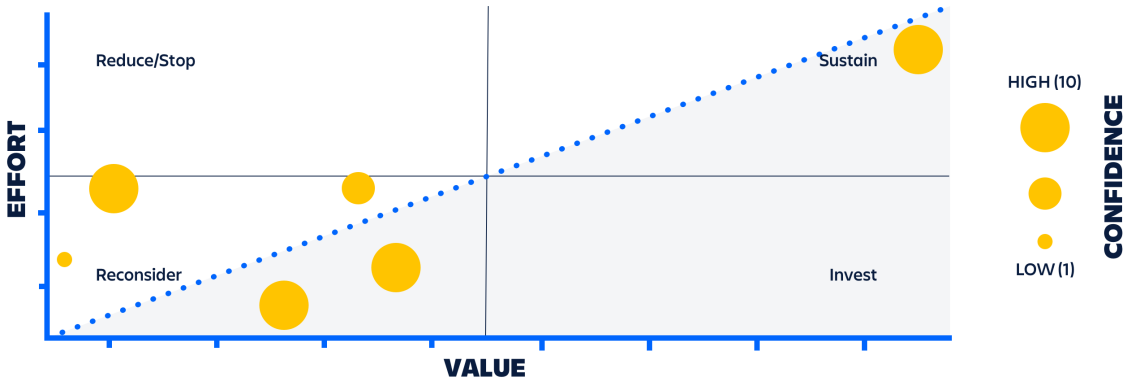
Pivot or persevere?

In our hypothesis, we determined that if 10% of the target completes the dashboard sign up, we'll be on our way to making our goal. So we want to make sure the design will appeal to this target market. We'll know we're on the right track if we can get 70% of the people in our tests to give a thumbs-up vote to the new design.

By the end of our sprint, we'll evaluate the data and see if we're getting the results we expected. If we are not getting promising feedback, or if the test process itself is starting to cost more money than we'd budgeted, then we need to re-evaluate, and maybe pivot to a new plan. We don't want to keep going if we're getting signal that our hypothesis was off.

If the data we're getting is encouraging, but new questions have come up about the design, we can adjust our methodology and conduct another iteration of testing. If the data tells us we're right on the money, we can take our prototype–and our learnings–and begin development of the dashboard design. We can **persevere**.

Tracking effort vs. value



Experiments test your hypotheses, informing what you do next. Ideally, you'll run several experiments at the same time, allowing you to compare the effort vs. value. Here, the size of each dot represents its cost, or investment. The bets in the upper right quadrant are paying off, while the bets in the lower left are not. Of those, the value return is low relative to the size of the investment.

Lead an organizational mindshift toward value engineering

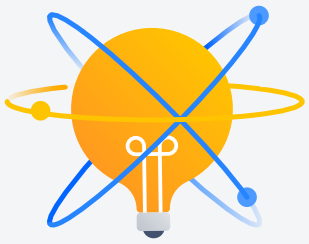
With a decision-making framework oriented toward delivering value, portfolio managers can plan their roadmap around sets of hypotheses, and experiments that yield data that help you plan where to make investments–and where to stop.

Moving from a traditional mindset–from generating big detailed plans to a value-driven approach of fast experimentation, learning and decision making–is itself an iterative process. Implementing this new way of planning and executing work takes time and requires buy-in across the organization. You can shift the mindset of your team–and your leadership–by starting small so people can see for themselves that this approach yields incremental value that, over time, adds up to big wins.

If you want to shift to a value-driven approach to product planning, Jira Align delivers the tools you need to execute experiments and analyze your findings so you can plan your investments. Visit us today and sign up for an overview of our portfolio management solution – we'd love to show you around.

Find out more about value engineering with Jira Align

Visit us today to learn how Jira Align can help you connect work to product, program and portfolio management at scale.



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