



The Lean answer to portfolio management challenges

How to (finally) align strategy to execution

Executive summary

The world is changing fast, and customer expectations are changing just as quickly. In order to not just survive but thrive in an uncertain business environment, organizations need to align their business and technical teams to ensure they are working together and delivering on their top strategic priorities.

But traditional approaches to investment application, capacity planning, and product delivery can frustrate these efforts. Fixed budgets, determined at the start of a fiscal year, and detailed, waterfall-style project plans are too rigid and can prevent teams from capitalizing on new opportunities or responding to unexpected threats. This is why more organizations are turning to new approaches, such as lean portfolio management (LPM), to focus their teams' time and resources on the most valuable streams of work.

Lean portfolio management can remedy three common problems that keep portfolio managers up at night.

- Strategy is disconnected from execution.
- Teams are facing perpetual work overload.
- Leaders and teams lack visibility and data for decision-making.

Read on to learn how to address these common problems in portfolio management and how lean portfolio management offers remedies for scaled agile teams.



What is Lean Portfolio Management?

A lean organization has a singular focus: increasing customer value. Rather than optimizing technologies or minimizing department costs, lean organizations optimize the flow of product development progress from planning stages all the way through to delivery and support. Companies adopt lean management to optimize investments and focus on activities that build value, increase employee productivity, and deliver high-quality products and services when and where they're needed.

HOW TO BUILD A BETTER ENTERPRISE BY BEING MORE LEAN

The objectives of Lean Portfolio Management are to:



Maximize the throughput of value

Actively manage the backlog of investments to find the highest-value opportunities, and actively manage WIP across groups of teams (team-of-teams) to speed the delivery of value into the marketplace



Prevent bottlenecks

Use the portfolio budget to balance the funding for capacity with the demand for the highest-value opportunities



Demonstrate good servant leadership

Remove obstacles to keep delivery cycle times low

You can find out more about [lean portfolio management](#) at the Atlassian Agile Coach website.

As companies grow and scale their agile practices, they often find that managing investments and capacity with spreadsheets and meetings become unwieldy. But, it isn't just the techniques and tools that no longer serve them. It's the whole approach.

This is where lean thinking meets scaled agile practices. **Lean portfolio management (LPM)** is an integral part of the Scaled Agile Framework (SAFe). SAFe was built on three main bodies of knowledge: agile software development, lean practices, and systems thinking. LPM aligns strategy and execution by applying lean principles to portfolio funding and governance.

Unlike traditional portfolio management, LPM:

- focuses on value rather than cost
- manages rolling budgets instead of annual
- drives for business outcomes rather than project outputs

And yet, LPM is more than a new resource management methodology. It is also a cultural shift—one that can allow for a better allocation of scarce resources, and also plays an important role in a healthy organizational culture and increased customer loyalty.

Compare traditional and lean management mindset

Traditional management	Lean management
Centralized control	Decentralized decision-making
Annual planning	Rolling planning
Project-based funding	Lean budgeting
Waterfall milestones	Objective measures and milestones

Figure 1. Traditional vs lean management practices

Three common problems for portfolio managers and how LPM can remedy them

While many companies find they need to implement scaled agile frameworks and lean portfolio practices in stages, the results can be transformative at every step of the way. Let's look at the most impactful problems solved by implementing LPM.



PROBLEM 1

Strategy is disconnected from execution

Portfolio managers and senior leaders often find it challenging to connect the enterprise strategy to the work of their teams. They know their teams are busy but they can't see how their day-to-day work brings the company closer to its strategic vision. What's more, they don't have a sense of how different teams set priorities or if their investments are paying off.

The disconnect between strategy and day-to-day work can happen when organizations focus on outputs rather than outcomes. Outputs, such as improvements in cycle times or shipping a product on a specific date, don't give you a rounded assessment of true performance. If your teams are only focused on outputs, it can take months or quarters before anyone realizes that the work isn't adding real value. Outcomes, on the other hand, are the things that are most critical to your business.

THE LPM REMEDY

Strategic themes focus on business outcomes

In SAFe, strategic themes are business objectives that stem from your company's strategy. They communicate context for each organizational directive and shift the focus of planning and work management from outputs to outcomes. An objective is the O in OKRs. Objectives should be unambiguous, ambitious goals. Here's an example: *Increase new accounts with the demographic aged 18-25 by 20% in by year-end.*

Once set, strategic themes influence:

- the portfolio vision
- the portfolio Kanban and backlog
- the value stream budgets

Your key results (KR) are the metrics you use to track progress toward each objective. They should be specific and measurable. They work collectively, not individually, to track progress. Plan for three to five key results per objective.

Lean budget guardrails set investment policies

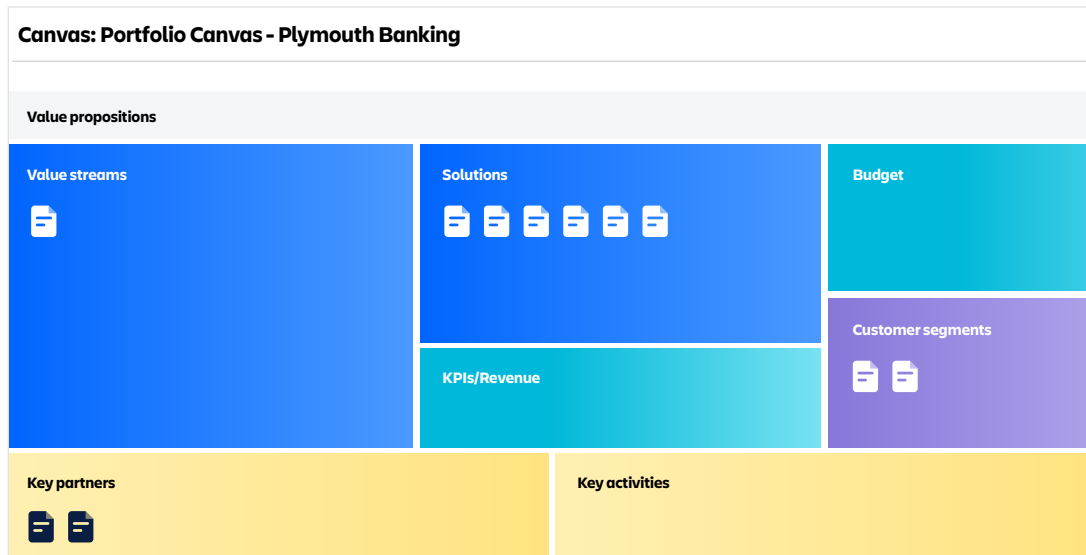
Your objectives drive your portfolio funding decisions. In lean portfolio management, establishing budget guardrails for each portfolio is a good practice. Lean budget guardrails describe budgeting, spending, and governance policies. Their job is to:

- ensure the mix of investments balance long-term strategic growth with near-term opportunities
- engage business owners to align portfolio priorities
- balance the backlog of new features with the portfolio's larger architecture plan
- ensure large investments are approved as appropriate, and still offer portfolio managers some discretion and flexibility



Use a portfolio canvas to illustrate portfolio vision

Articulating your future-state portfolio vision in a canvas format can serve as a touchstone for teams as they create work plans. Rather than a high-level generic vision statement or an inscrutable business plan, a portfolio canvas strikes a balance between the simple and the complex and delivers the context teams need to understand and return to as they evaluate goals and priorities.



The Portfolio Canvas is adapted from [The Business Model Canvas](#). This work is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License. To view a copy of this license visit: <http://creativecommons.org/licenses/by-sai3.0>

PROBLEM 2

Perpetual work overload

Everyone loves a good idea. But what happens when your teams take every good idea and add it to the work queue? You end up with a never-ending backlog, confusion over priorities, and people who are more focused on throughput than creating value.

Consider your current work environment. Are your portfolio teams overwhelmed or worse, completely burned out? Do you have a process to determine the value and priority of work? The portfolio canvas (see above) can help you determine business priorities. But in order to prevent work overload, you need to match capacity to demand.

THE LPM REMEDY

Agile teams optimize the flow of work by matching capacity to demand at the portfolio level. Kanban is a system you can use for this purpose. Funnel new work requests and ideas through a review process, analyze them, and add them to the portfolio backlog.

How Kanban works in LPM

Kanban is a powerful way to increase accountability and transparency. Here are the most important questions to ask during each phase of the process.

- **Funnel:** is the work request really a portfolio epic?
- **Review:** is the epic aligned with a strategic theme?
- **Analysis:** does the epic make good business sense?
- **Backlog:** what are the epic priorities?
- **Implementation:** has the epic's minimum viable product (MVP) been proven?

Kanban Process



PROBLEM 3

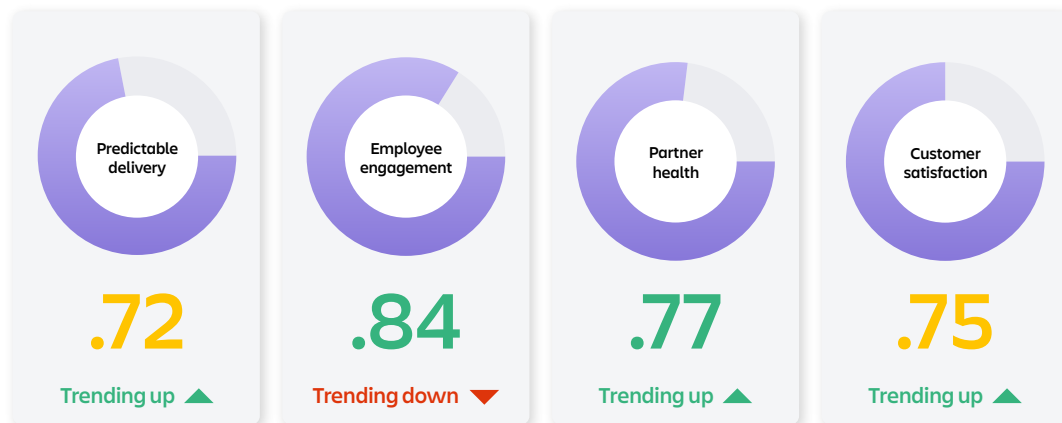
Lack of visibility and data for decision-making

You have set your strategic themes and key results (OKRs). But you don't have the right data to determine if the work the teams are doing is bringing you closer to the desired outcomes. Or you have the data, but you don't know what to do with it.

THE LPM REMEDY

Set your key performance indicators (KPIs) at the portfolio level. KPIs will help you determine if you are meeting specific goals. Why do you need KPIs at the portfolio level? Remember that LPM aligns strategy and execution. Use the KPIs as part of the feedback loop to the portfolio strategy development.

KPIs track progress toward business outcomes



A LEADER'S CHECKLIST TO LEAN PORTFOLIO MANAGEMENT

LPM embraces several principles: decentralized decision-making, objective-based measures and milestones, agile budgeting and planning, and epic business cases. You may be doing all of these; but how do you know if you are on the right track to agility? Below is a checklist.

- Is the enterprise aligned around lean portfolio management? Engage everyone, from top executives to worker bees.
- Is the organization using a single source of truth? Set objectives and key results, communicate them widely, and track how your portfolios are performing against them.
- Are you making room for mistakes? Allow teams to pivot and change plans if the plans aren't working. Persevere and stick to the plan if the leading indicators are predicting success.
- Are you being supportive? Remember that LPM brings about a cultural shift. Be prepared to support your teams as they go through the change.

Want to learn more about lean portfolio management?

Jira Align has many resources to find out more:

Lean Portfolio Management video series

[Lean Portfolio Management for the agile enterprise](#)

[Connect strategy to execution: strategic themes and OKRs](#)

[LPM Metrics: data-driven insights that deliver value](#)

Agile Coach - Agile at Scale

[Lean Portfolio Management](#)

Lean portfolio management in Jira Align

[Lean Portfolio Management \(LPM\) Support](#)

If you'd like to see how Jira Align supports lean portfolio practices, [reach out for a demo](#)



 **ATLASSIAN**