Bimodal Portfolio Management

Introduction
At the moment, many organizations are in the middle, or on the brink of, a radical change to more business agility. I receive quite often the question how to cope with both an agile portfolio as well as a more traditional portfolio with temporary projects and programs. Existing frameworks supports either an agile IT portfolio or a more traditional portfolio, but I haven't seen frameworks which supports both.

If I look at existing traditional and agile IT portfolio management frameworks, I asked myself if combining these frameworks can bring an answer for those organizations who need to manage an agile as well as a more traditional portfolio?

In this article I will start with a brief explanation of the existing portfolio management frameworks by explaining the principles and the process (Management of Portfolios, Standard for Portfolio Management, Disciplined Agile Portfolio Management, Agile Portfolio Management, Evidence-Based Portfolio Management, and SAFe Lean Portfolio Management).

In the second part of this article I focus on Bimodal Portfolio Management where I combine the best of these worlds and offer a solution for both worlds in the form of a Bimodal Portfolio Kanban, Bimodal Portfolio Management Principles and Bimodal Portfolio Roadmaps.

Existing frameworks
Traditional portfolio management frameworks
There are two well-known traditional portfolio frameworks: Management of Portfolios (MoP from Axelos) and The Standard for Portfolio Management (SfPfM from PMI).

Management of Portfolios (MoP)[1]
Within MoP we recognize the portfolio definition and the portfolio execution cycles and five principles. Organization energy represents the connection between both cycles. The five principles are: Senior management commitment, governance alignment, strategy alignment, portfolio office and energized change culture.
The annual portfolio definition cycle is further subdivided into five sequential steps: understanding, categorizing, prioritizing, balancing and planning. Within the portfolio implementation cycle, the following perspectives are taken into account: management control, benefit management, financial management, risk management, stakeholder management, organizational government and resource management.

Standard for portfolio management (SfPfM)[2]
The standard for Portfolio Management's continuous lifecycle consists of five stages: initiation, planning, execution, optimization and monitor and control.
The principles are:
- Strive to achieve excellence in strategic execution

[1] Management of Portfolio's, The Stationery Office, 1st edition, 2011, EAN: 9780113312948
[2] The Standard for Portfolio Management, Project Management Institute, 4th edition, 2018, EAN: 9781628251975

- Enhance transparency, responsibility, accountability, sustainability, and fairness
- Balance portfolio value against overall risks
- Ensure that investments in portfolio components are aligned with the organization's strategy
- Obtain and maintain the sponsorship and engagement of senior management and stakeholders
- Exercise active and decisive leadership for the optimization of resource utilization
- Foster a culture that embraces change and risk
- Navigate complexity to enable successful outcomes

Agile portfolio management frameworks

The number of agile portfolio management frameworks is growing. The latest one (May 2019), described in this article, is Evidence-Based Portfolio Management developed by Scrum.org. At this moment I am aware of the following agile frameworks: SAFe Lean Portfolio Management (Scaled Agile), Disciplined Agile Portfolio Management (DA PfM), Agile Portfolio management (AgilePfM from ABC) and Evidence-Based Portfolio Management (Scrum.org).

SAFe Lean Portfolio Management (SAFe LPM)[3]

Lean Portfolio Management is one of the five core competencies of the lean enterprise as described by Scaled Agile. The Lean Portfolio Management competency aligns strategy and execution by applying Lean and systems thinking approaches to strategy and investment funding (allocating the '*right investments'* to building the '*right things'*), agile portfolio operations, and governance. A SAFe portfolio (described in a Portfolio Canvas) is a single instance of the framework that manages a set of value streams for a specific line of business. Each value stream (described in a Value Stream Canvas) delivers a set of software and systems solutions that help the enterprise meet its business strategy. Lean budgets provide funding for value streams aligned with the business strategy (to fund permanent agile teams). This funding model allows the enterprise to eliminate or reduce the need for traditional project-based funding and cost accounting, which reduces friction, delays, and overhead (bring the work to the already funded permanent agile team, instead of bringing people to a to be funded initiative). Portfolio Epics are used to capture, analyze, and approve new initiatives (described in an Epic Hypothesis Statement). The portfolio Kanban system supports this flow (funnel, review, analysis, portfolio backlog, implementation, done).

SAFe is compliant, as all the other agile frameworks with the Agile Manifesto and the underlying principles. On top of that there are nine SAFe principles (not only for portfolio level but for the team, program and large solution levels as well):

- Take an economic view
- Apply systems thinking
- Assume variability; preserve options
- Build incrementally with fast, integrated learning cycles
- Base milestones on objective evaluation of working systems
- Visualize and limit WIP, reduce batch sizes, and manage queue lengths
- Apply cadence, synchronize with cross-domain planning
- Unlock the intrinsic motivation of knowledge workers

[3] Source: https://www.scaledagileframework.com/lean-portfolio-management/, accessed on 25/06/2019

- Decentralize decision-making.

Disciplined Agile Portfolio Management[4]

Disciplined Agile Portfolio Management is one of the blades of Disciplined Agile IT within Disciplined Agile (DA).

Disciplined Agile Portfolio Management addresses how an IT organization goes about identifying, prioritizing, organizing, and governing their various IT endeavors (identify potential value, explore potential endeavors, prioritize potential endeavors, manage portfolio budget, initiate endeavors, finance endeavors, plan IT capacity, manage vendors, govern the portfolio).

Disciplined Agile uses the following mindset (in general, not specific for portfolio management only):

- Keep it simple
- Focus on value over cost
- Reduce the cost of delay
- Invest in streamlining the creation of value
- Prefer stable teams over project teams
- Align teams to value streams
- Enable diversity
- Trust but verify
- Govern by risk not by artifacts
- Rolling wave over annual planning
- Prefer small initiatives over large initiatives
- Invest in quality
- Optimize the whole

Agile Portfolio Management (AgilePfM)[5]

Agile Portfolio Management use some basic concepts of an innovation hub, an agile portfolio process, maturity of the initiatives within the portfolio as well as horizons for an agile portfolio. The portfolio process is divided in four steps: confirm portfolio drivers, confirm portfolio foundations, deliver the change, and keep it current – reassessing strategy and portfolio alignment. Initiatives can be divided based on their maturity within the portfolio: unformed, nebulous ideas, (future) immature, starting to have some shape, (future) ready, clearer and prioritized, current, value being created, completed, value being tracked, reality, and value delivered to the organization. The expected context of the rolling wave portfolio plan is dynamic and will change as events occur, both inside and outside the portfolio. The portfolio considers three horizons: longer-term horizon (from a few months to several years), near-term horizon (typically a few months) and today (snapshot view).

Effective agile portfolio governance ensures the portfolio remains aligned to the overarching strategy and goals of the organization. The following principles will help to achieve this:

- Ensure value drives priority (do the right things)
- Never compromise quality (Do the things right)
- Decide with the initiatives, don't manage them

[4] Source: http://disciplinedagiledelivery.com/agility-at-scale/portfolio-management/, accessed on 25/06/2019

[5] Source: Agile Portfolio Management (AgilePfM™) Midi Book

- Give clear considered direction
- Stay informed.

Evidence-Based Portfolio Management (E-B PfM)[6]
Evidence-Based Portfolio Management is an approach that applies lean and agile principles to the challenge of deciding where to invest to derive the greatest business benefit. It enables organizations to quickly test ideas by actually building and validating the smallest solution that will deliver a single outcome to a single set of customers or users. Evidence-Based Portfolio Management takes a principles based approach:

- Separate capacity-for-growth from focus-of-work
- Make the best decision you can, based on the best evidence available
- Invest in improving business impacts using hypotheses, don't just fund activity
- Continuously (re)evaluate and (re)order opportunities
- Minimize avoidable loss
- Let teams pull work as they have capacity
- Improve status reporting with increased engagement and transparency

Bimodal Portfolio Management
Bimodal portfolio management focusses on opportunities, IT as well as business, for the complete enterprise or line of business, independent of the way of delivery (traditional, agile or hybrid). Bimodal Portfolio Management makes use, where possible, of decentralized decision-making, lightweight business cases for opportunities, a decentralized rolling-wave planning and uses objective, fact-based measures and milestones. Where possible the opportunities will be pulled by permanent agile team(s) (of teams) or when there are no teams capable to deliver, new teams, permanent or temporary, will be created to deliver the opportunity. A Bimodal portfolio Canvas supports the flow of these opportunities.

Bimodal Portfolio Management Principles
Combining principles from existing frameworks (DA, AgilePfM, E-B PfM, SAFe, MoP, SfPfM) gives the following list for the Bimodal Portfolio Management model:

- **Senior management commitment**. remember W. Edwards Deming's quote[7] *"It is not enough that top management commit themselves for life to quality and productivity. They must know what it is that they are committed to — that is, what they must do. These obligations cannot be delegated. Support is not enough: action is required".* Senior management must publicly champion the value of portfolio management, listen, engage and walk the talk.
- **Alignment** (Customer, Governance, Strategy). Active involvement of the customer or client is key, we can't think for them. Portfolio governance must be consistent with the wider organizational governance structure. Opportunities that will not contribute to one the organization's strategic themes must be killed as soon as possible.
- **Keep it simple**, prefer small over large. This success criterium was already mentioned in the first 1994 CHAOS report from the Standish Group[8] on software project success

[6] Source: https://www.scrum.org/resources/introduction-evidence-based-portfolio-management, accessed 25/06/2019
[7] Source: https://quotes.deming.org/category/change, accessed on 26/06/2019
[8] Source: https://www.standishgroup.com/sample_research_files/chaos_report_1994.pdf, accessed on 26/06/2019

and failure. I wish all those organizations that are running, or planning to start, large and complex initiatives a lot of success but I will probably read the next failure story in the newspapers.

- **Focus on value** over cost. Shifting your mindset from "what is this going to cost?" to "what value will this generate?" is critical. Ensure value drives priority (do the right things).
- **Rolling wave** over annual planning. Continuously (re)evaluate and (re)order opportunities. Reduce the cost of delay and minimize avoidable loss. Still many organizations are putting a lot of effort in creating an annual plan, knowing that in the first couple of months major changes or new (mandatory) initiatives will pop up and making the annual plan obsolete.
- Make the best **decision** you can, based on the **best evidence available.** Establish a decision-making framework that equips teams with the information to make good decisions. Decentralize decision-making where possible.
- **Lean mindset**: Invest in streamlining the creation of value and optimize the whole system by eliminating waste and improve the flow of work.
- **Prefer stable empowered teams** (aligned to value streams) over project teams. It takes time to build high performing teams. Where possible, and needed for further development and maintenance, keep the team together. In case there is no team who is capable to deliver the opportunity, a new team (of teams) has to be created. This can be managed in a temporary project management governance structure. As a result, the new team (of teams) can become a stable empowered team too.
- **Energized change culture**. Henley Business School/Vogel defines organizational energy as *'the extent to which an organization (or division or team) has mobilized its emotional, cognitive and behavior potential to pursue its goals.'* Bruch and Vogel identify four energy states: Productive energy: high emotional involvement, care about the success, comfortable energy: relaxed, prefer the status quo, resigned energy (inertia): mentally withdrawn, do nothing more than is required, Corrosive energy: anger, fight, actively hinder change and innovation. Senior management commitment, encourage innovation and creativity, unlock the intrinsic motivation of staff, and have fast, integrated learning cycles are examples to create an energized change culture.
- Improve status reporting with increased **engagement and transparency**, Base milestones on objective evaluation of **working products or services**. Seeing a product or service gives much more confidence about the progress than a status report with smileys (often 'melon'-reporting[9]) and being there is a signal of commitment too. In case external regulators need formal status reporting, have a PMO to collect the data and deliver the status report without disturbing the teams.

Bimodal Portfolio Kanban

The Bimodal Portfolio Kanban (see figure 1) helps to manage the continuous flow of opportunities. It starts with the Funnel (Uninformed) where all big ideas are captured. Here we need to get a first understanding based on a one-pager (Opportunity Hypothesis Statement) and can we categorize the opportunities (alignment with corporate strategic themes and is it a horizon 1, 2, 3 opportunity). See portfolio Backlog column for an explanation of the horizon 1, 2 or 3. Opportunities that can't be aligned with the corporate strategy will

[9] Melon-reporting: green from the outside and red inside.

be killed on placed on a parking lot if we expect they can play a role in the near future. A first simple prioritization within the different categories can help to manage the flow in the Bimodal Portfolio Kanban.

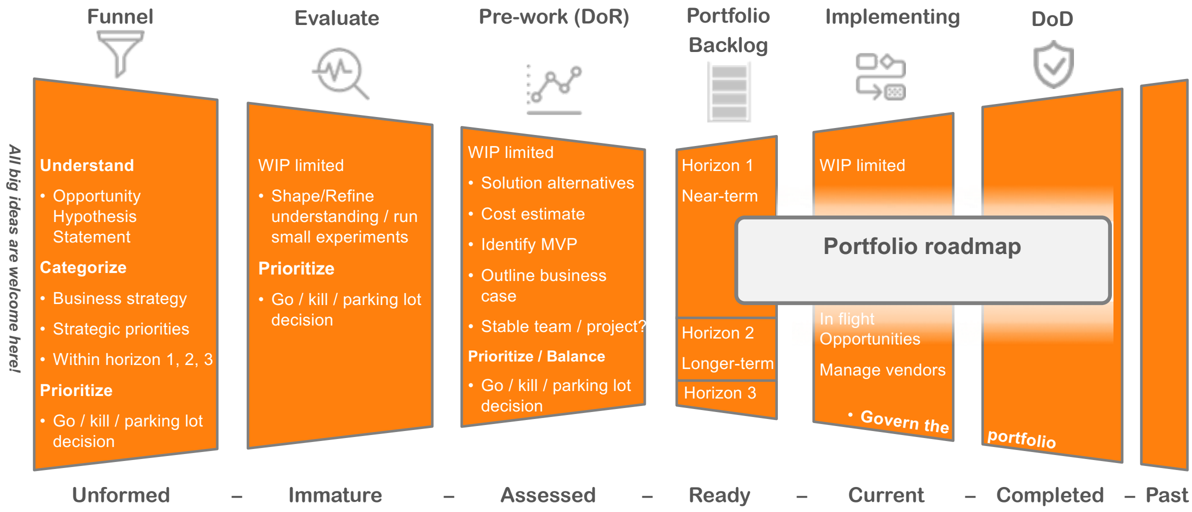

Fig. 1: Bimodal Portfolio Kanban

In the Evaluate step (Immature) you can build a better understanding by shaping and refining the opportunity one-pagers (Opportunity Hypothesis Statement), performing some small experiments, testing high level hypotheses, et cetera. Depending on the size of your PMO (Lean Portfolio Office) the number of opportunity evaluations will be limited to optimize the flow (WIP limited). At the end the opportunity backlog for each category can be re-prioritized.

During the next WIP limited Pre-work step the evaluation of the highest prioritized opportunities will be finalized (Assessed) to make them ready (based on a portfolio opportunity Definition of Ready) for placement on the portfolio backlog. Part of the finalization of each opportunity will be the selection of the right solution alternative, including a lean outline business case (cost estimate, benefit/value projection), and an MVP (Eric Ries: Lean Startup). This is also the moment to decide if the work related to the opportunity can be executed by a team (of teams) or that we have to bring people together (select people, build (temporary) teams) or maybe a combination. As a final step we have to balance the results taking into account timing, coverage of all strategic objectives, impact across the business stage of initiative development, overall risk/return profile, available resources when there are no qualified stable teams.

In the Portfolio backlog column, we can find all opportunities which are ready to implement. Prioritization will be done within the categories and between the categories. To safeguard the future of the enterprise you have to make sure that not all opportunities are focusing on the current value streams but that there is room to implement opportunities focusing on next and future competitive value streams. In line with the three horizons of growth[10] as described by McKinsey (see figure 2). For prioritization existing prioritizations models can be used. E.g. Shortest Weighted Job First (SWJF), Multi-criteria analysis (MCA) based on the return or

[10] Source: The McKinsey 3 horizon model of growth

attractiveness of opportunities and the risk or achievability of opportunities, Analytic Hierarchy Process (HPA), MoSCoW, etc.

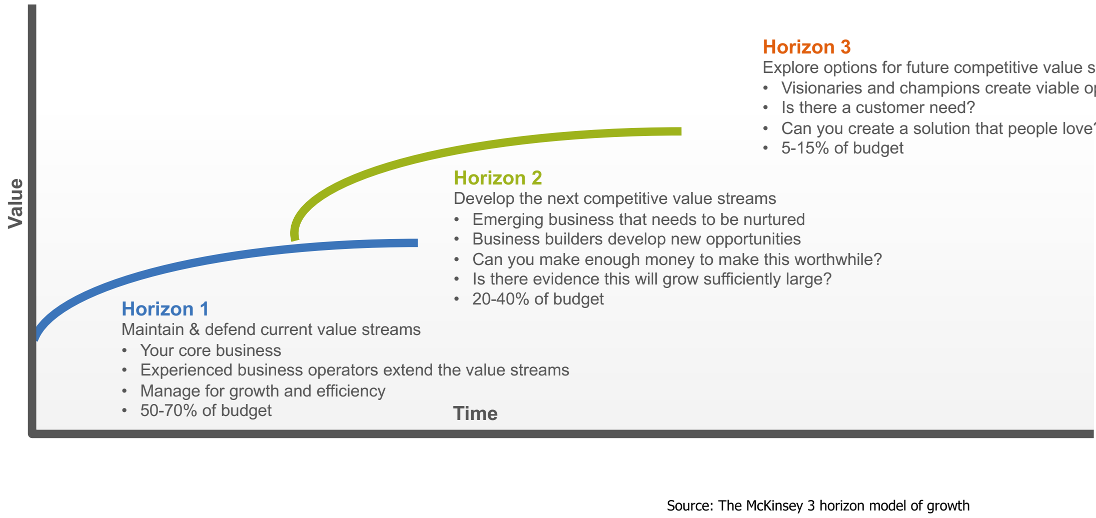

Fig. 2: Three horizon model of growth

In this column we will update the portfolio roadmap too. Depending on the way of delivery of the opportunity (by team or project) we have to answer different questions resulting in one or two portfolio roadmaps. In case the opportunity will be delivered by a team (of teams) we have to ask ourselves:

- How do we define a team (of teams)? Autonomous teams, linked to a value stream? Supporting one or more micro services?
- How are we going to define work? Story points?
- What can we say about the size of the opportunity?
- How much work can the team (of teams) manage in an iteration?
- How long is an iteration?
- To synchronize across teams, synchronisation and a cadence is necessary
- An iteration can be a program iteration (SAFe, 10-12 weeks), or a sprint (2 weeks, LeSS, Nexus, …)

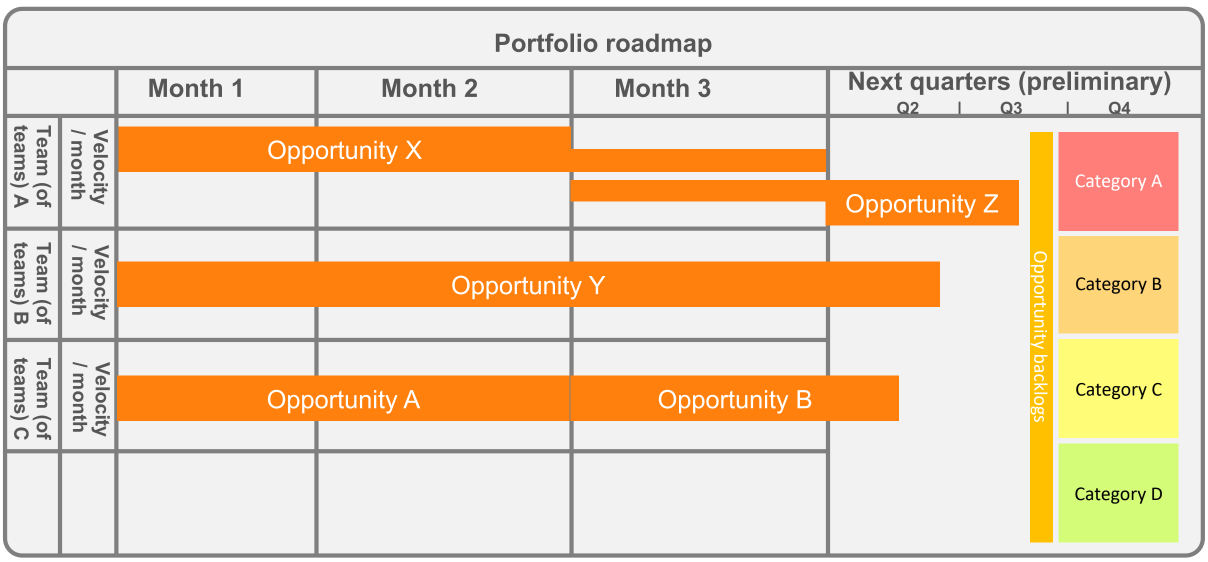

Fig. 3: Bimodal portfolio roadmap for team of teams.

After answering these questions, we are able to build the portfolio roadmap for the coming three months (near term horizon). For the next subsequent months (longer-term horizon) a simple backlog will be sufficient. See figure 3 for an example of the bimodal portfolio roadmap for team of teams.

In case the opportunity will be delivered by a project or program we have to ask ourselves:

- Who do we need to make this a success?
- How are we going to decompose and define work? Man hours? Story points?
- How do we define a programme or project?
- Will we have stages? Can we deliver incremental?
- Do we need to deliver everything (MoSCoW)?
- What can we say about the size of the opportunity?
- Will teams use agile ways of working?
- Will the temporary team become a stable team afterwards?

After answering these questions, we are able to build the portfolio roadmap for the coming three months. For the next subsequent months, a simple backlog will be sufficient. See figure 4 for an example of the bimodal portfolio roadmap temporary programs and projects.

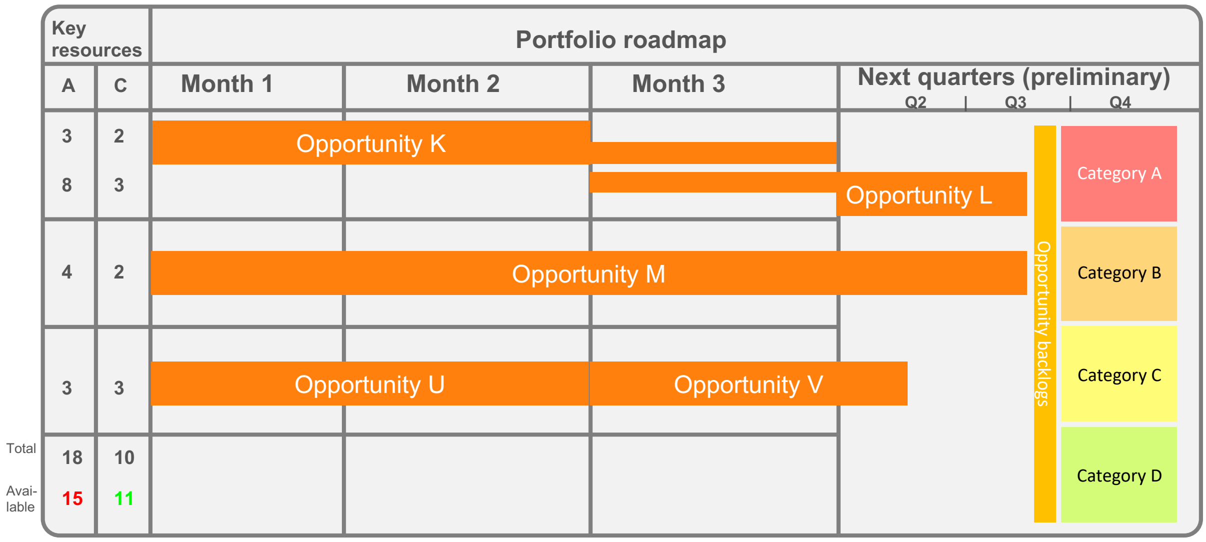

Fig. 4: Bimodal portfolio roadmap temporary programs and projects.

During the implementation these roadmaps can be used to show all in-flight opportunities and if we want, we can even show the current status of these opportunities (snapshot view).

In the Bimodal Portfolio Kanban, the columns Implementation (Current) and DoD (Completed) are reflecting the delivery of the portfolio. Here we have to take the following practices into account:

- Management control. What progress information do we still need besides visiting team (of teams) demo's, and what do we have to show external regulators? Can we ensure that delivery stays on track and that the portfolio remains strategically aligned?
- Value management. Are we maximizing the contribution to operational performance and strategic objectives? Where are we standing from a strategy realization perspective, how much value have we and are we, and when, going to realize?

- Financial management. The stable teams are funded. Do we need to up- or down-scale the number of teams as a result of changes in the strategy? Do we have enough funding for opportunities managed by temporary projects? Are there decisions to be taken to make changes to the already approved funding for these projects?
- Risk management. Can we ensure consistent and effective management of the portfolio's exposure to risk at both individual, team (of teams) and collective level? Do we have an on-going oversight of the status on key dependencies (logical, logistical) between team (of teams) or temporary projects?
- Stakeholder management. To provide a coordinated approach to stakeholder engagement and communication to ensure that the needs of the portfolio's customers are identified and managed appropriately and that stakeholder support for the portfolio is achieved by effective consultation and involvement in the definition and delivery of the portfolio.
- Organizational governance. To ensure clarity about what decisions are made, where and when, and what criteria are used (decentralized decision making where possible, right mandates; how many Product Owners have a full mandate to say 'NO'?).
- Resource management. To put in place mechanisms to understand and manage the amount of resources available (teams, staff, environments, …) and required to enable more informed decisions to match resource availability, more efficient and effective use of available resources, improved delivery and improved realization of value.

The last column in the Bimodal Portfolio Kanban shows what we have delivered in the past. This will help to make better decisions in the future by comparing estimates for new opportunities with real life data from realized opportunities and failures in the past (give a wall of failure a thought to facilitate learning).

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