The Principles of Lean Portfolio Management for Business Agility

Enabling rapid learning, adaptation, and responsive change in organizations

Table of Contents

Introduction

As an accreditation and certification body, ICAgile works with thought leaders and global practitioners to craft and publish learning outcomes for the certifications we offer through our Member Organizations.

When crafting learning outcomes for adaptive Lean Portfolio Management for business agility, we identified a gap in the literature around agreed-upon principles for the domain. This paper addresses that gap by identifying a foundational set of principles that underlie the various approaches to adaptive Lean Portfolio Management. We also emphasize the importance of adaptivity in addition to efficiency in managing today's portfolios effectively.

This white paper was created in collaboration with the **Business Agility Institute.**

Defining Lean Portfolio Management

Adaptive Lean Portfolio Management (LPM) provides a mechanism for organizations to fund and manage the flow of initiatives and activities across the whole enterprise, maximizing value delivered to customers and other stakeholders.

This facilitates an alignment of work to the organization's overall strategy and enables prioritization of the most important work while limiting work in progress and respecting the teams' capacity to deliver. This domain draws on lean thinking, systems thinking, agile development, and business agility to achieve business goals and rapidly adapt to changing circumstances.

Lean Portfolio Management enables rapid learning, adaptation, and responsive change in organizations.

The Principles of Lean Portfolio Management for Business Agility

1 Shift to customer-centricity within a larger context

The underlying driver of adaptive work is the fundamental shift organizations need to make toward customer-centricity. To empathize with and serve the customer in a larger social and environmental context, everyone in the organization needs a clear line of sight to the customer, the organization's vision, and this larger context.

2 Communicate an adaptive strategy with transparency

Today's organizations need a strategy that supports their vision, or "true north" to effectively respond to changing environments. They must recognize that the path forward is fundamentally unforeseeable—making feedback, learning, and adaptation core competencies for success in the twenty-first century. Adaptive strategy embodies this flexible approach and response to changing environments. An effective adaptive strategy is articulated and communicated across the whole organization to enable local decision-making that aligns with and is constrained by the organization's goals.

3 Align around common goals, and how they might change

The "true north" that guides organizational strategy is conveyed as a set of business outcomes across different time horizons. These goals are expressed and communicated in clear, measurable terms to make the strategy implementable. Every area of the organization understands where and how to contribute to the overall mosaic that delivers on business outcomes. Feedback loops ensure that goals and outcomes adapt to meet the evolving needs of the organization and these changes are communicated transparently and clearly.

4 Define, prioritize, and deliver business value frequently

Business value is articulated in clear language using agreed-upon metrics to make work prioritization clear and straightforward at any level. Depending on the scope of control, work is delivered in the smallest increments possible, as frequently as possible, to enable rapid feedback, learning, and adaptation. The entire organization is attuned to feedback, listening for both the "weak signals" and louder messages. Feedback mechanisms are built into every aspect of delivery and are used to learn and adapt in iterative cycles.

5   Structure in value streams

Traditional silo-based organizational structures impede the flow of value through handoffs and dependencies. LPM is only truly effective when the people responsible for delivering value have end-to-end control of all the steps in the value chain. This requires rethinking the borders and structures of organizations around identifying and delivering value rather than the specializations of skills and competencies. Cross-functional, collaborative, stable teams are responsible for achieving business outcomes and have the skills and knowledge they need to do so. These teams benefit the organization by improving coordination, simplifying communication, and sharing expertise to solve problems.

6   Take accountability for outcomes over outputs

Value streams enable teams to take ownership and accountability for delivering value to their customers, supporting organizational outcomes. Outcomes are achieved when work is done that provides value to customers and other stakeholders in the value chain. Value teams are tasked with achieving outcomes and empowered to figure out the best way to achieve them, within realistic constraints. Outcomes are the primary focus. Outputs are measured steps towards achieving them.

7   Optimize flow and reduce waste across the whole system

Systems thinking is a core competency for effective Lean Portfolio Management. It is the "big picture" understanding how the different value streams converge to achieve organizational goals, and identifying and minimizing dependencies across value streams to enable prioritization and adaption. Waste should be reduced or eliminated anywhere it occurs in the system. Adaptivity to changing needs and shifts in context requires the ability to look across the whole portfolio and shift investments if necessary. This adaptation can happen at any level in the organization, from the backlog for a single product to the value streams needed to achieve the organization's goals.

8   Shorten planning and funding cycles

Effective Lean Portfolio Management requires shorter funding and planning cycles, moving away from annual planning and long-term funding to quarterly or more frequent planning. Keep the bank open, rather than only allocating funds once a year, to allow responsive funding for new opportunities and goals as they emerge. Fund value streams rather than projects and shift from permission-based governance to empowered decision making with frequent feedback

and value delivered reporting. Funding enables innovation when organizations shift from pure cost-based budgeting to value-based and begin measuring progress towards outcomes. The question of "What will it cost and what value will we get?" is central to this shift.

9 Balance capacity and demand

Limit work in progress (WIP) at every level in the portfolio. The whole organization has a finite limit to how much can be delivered and how much funding is available in a timeframe. The same applies to every value stream. Don't overload the system with a top-down push of work. Implement a pull-based flow where teams pull from a prioritized funnel of work. Ruthless prioritization ensures that the highest value work is done first.   Take an economic viewpoint—maximize value while managing cost.

Learning Outcomes for Lean Portfolio Management

These nine principles constitute a core foundation for knowledge in Lean Portfolio Management and underpin the Learning Outcomes of ICAgile's new certification in the domain:

ICAgile Certified Professional in Lean Portfolio Management (ICP-LPM)

We share this set of principles as a contribution to the global body of knowledge in support of ICAgile's vision:

Our Vision is that organizations around the world enable and inspire everyone in them to create a better future for those around them.

Our Belief is that an organization's journey toward business agility requires shifts to an empowered, human-centric culture that sparks creativity and innovation. Learning has the power to transform people and, by extension, establish this culture that enables people to create a better future for their customers, employees, partners, and more.