A Failure in Portfolio Management
A Case Study

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Portfolio Management
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Agenda

- Problem Statement
- Setting the Stage
- Change Approach
- Project Portfolio Z-Framework™
- What Went Wrong
- Causes of Failure
Lack of consistent understanding of the value of work being completed across the business and how it supports business strategies.
Demand Management

There is no current process to assess IT capacity against demand outside of measuring only software development capacity.
Setting the Stage
Setting the Stage - Portfolio Management

- Functionally silo’d
- Work was not aligned by strategy.
- No consistency with value-based business cases
- An enterprise-view of work did not exist
Setting the Stage - Portfolio Management

**Problem Statement:** Lack of consistent understanding of the value of work being completed across the business and how it supports the business strategies

**Pain Points:**
- Portfolios function in silos
- Inconsistent definition of value / Lack of business justification for initiatives
- Lack of understanding the customer experience impact of proposed initiatives
- Difficulty in tracking and reporting overall capital financial performance for all of IT work
Portfolio Structure

- Product
- Compliance / Legal
- Finance & HR
- Technology / Info Sec
- Sales & Marketing
- Operations

Portfolio Landscape
Setting the Stage - Prioritization

• Everything was a #1

• Projects approved during annual planning – Just get them done.

• CPO – “Why Prioritize, the budget was approved.”

• Budgets weren’t real…new work comes in, it gets added to the heap
Setting the Stage - Demand Management

- Conducted within software development
- No Funnel for starting work
- Conflict across business functions for development expertise.
- Demand was not balanced against capacity.

Image Source: http://nuvalo.com/blog/demand-management/
Demand and Capacity Management

Problem Statement: There is no current process to assess IT capacity against demand outside of measuring only software development capacity.

Pain Points:
- Work moving forward surpasses IT capacity
- Over commitment / Resource Constraints
- Work across all portfolios are competing for resources due to lack of prioritization
- No visibility to resources & capacity beyond software development
Demand vs. Capacity (Consolidated View)
# Demand and Capacity (By Technology Group)

<table>
<thead>
<tr>
<th>Resource Group</th>
<th>Demand</th>
<th>Employee Capacity</th>
<th>Contractor Capacity</th>
<th>Total Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>188,176</td>
<td>36,815</td>
<td>49,914</td>
<td>86,728</td>
</tr>
<tr>
<td>Group 2</td>
<td>235,390</td>
<td>36,163</td>
<td>118,470</td>
<td>154,634</td>
</tr>
<tr>
<td>Group 3</td>
<td>118,832</td>
<td>35,881</td>
<td>32,719</td>
<td>68,600</td>
</tr>
<tr>
<td>Group 3</td>
<td>83,684</td>
<td>45,752</td>
<td>48,586</td>
<td>94,339</td>
</tr>
<tr>
<td>Group 4</td>
<td>165,976</td>
<td>15,059</td>
<td>120,307</td>
<td>135,365</td>
</tr>
<tr>
<td>Group 5</td>
<td>21,874</td>
<td>5,680</td>
<td>12,819</td>
<td>18,499</td>
</tr>
<tr>
<td>Group 6</td>
<td>1,472</td>
<td>385</td>
<td>2,125</td>
<td>2,510</td>
</tr>
<tr>
<td>Total Enterprise Solutions</td>
<td>815,405</td>
<td>175,735</td>
<td>384,941</td>
<td>560,675</td>
</tr>
</tbody>
</table>
The Change
**Definition** n. 1.
The teacher gave a new definition.
The strategy-based, prioritized set of all projects and programs in an organization reconciled to the resources available to accomplish them.
Demand Management

The ability to apply a set of estimations which enable a level of understanding regarding the amount of effort required to deliver on value,

AND

The capability to weigh that against the capacity of teams in order to maximize resource utilization and drive greater delivery of value.
Provide clarity in the sea of good ideas.
Mission Statement

Prioritize and prepare only the most important projects that deliver value to achieve corporate financial goals in order to maximize resource utilization.
Principles

a fundamental truth or proposition that serves as the foundation for a system of belief or behavior or for a chain of reasoning.
Principles

• Projects are managed as portfolio(s) of investments.

• The goal is to create the greatest possible value.

• Projects include the full scope of activities necessary to generate value.

• Projects produce different types of value and are evaluated and managed consistently.

• Value delivery is managed throughout the project and within any products, services, or assets impacted by the project.

• Value delivery practices engage all stakeholders.

• Value delivery practices are continually monitored, evaluated, and improved.
Definition of Success

- Alignment on the definition of value
- Method in which to measure the Business Benefit
- All proposals have a value-driven business case
- Prioritization across Portfolios and Enterprise
- Adoption of Demand & Portfolio Management
- Portfolio Team internalizes and advocates Demand & Portfolio Management processes and roles
Portfolio Teams
Why?
Demand and Portfolio Management Gain Creators

- Flexibility
- Simplicity
- Transparency
- Value-Based Priorities
- Resource Optimization
- Financial Reporting
Opportunities
Portfolio Management

**Problem Statement:** Lack of consistent understanding of the value of work being completed across the business and how it supports the business strategies

**Pain Points:**
- Portfolios function in silos
- Inconsistent definition of value / Lack of business justification for initiatives
- Lack of understanding the customer experience impact of proposed initiatives
- Difficulty in tracking and reporting overall capital financial performance for all of IT work

**Opportunities**
- Consistency in defining value-based Business Cases
- Consistent definition of value across the Enterprise
- Prioritization of opportunities based on value across the Enterprise
- Initiative approval process to deliver projects with the most impact
- Consistency in Portfolio Execution and Delivery
Prioritization

• Everything was a #1

• Alignment across the Enterprise regarding project prioritization

• Projects approved during annual planning – Just get them done

• Equitable Exchange for changes after annual planning.

• CPO - Why Prioritize, the budget was approved.

• There was true value in Prioritization, and budget was approved when the work started

• Budgets weren’t real...new work comes in, it gets added to the heap

• Budgets allocated to portfolio. Portfolios determined what projects were funded.

Image Source: http://businessanalyst.techcanvass.com/prioritization-of-requirements/
Executive Prioritization Committee

A Committee of Executives that will weigh the value proposition and effort involved in delivering work across the portfolios to determine the prioritization of the work throughout the enterprise.

The intent is to provide guidance and reduce churn when resource constraints occur.
Weighted Shortest Job First (WSJF)

Simplest Form:

\[ WSJF = \frac{Value}{Effort} \]

- Value = Business Value + Customer Experience
- Effort = Job Size (HLE)
WSJF

• Weighted Shortest Job First Concept
  • Value / Effort

• Definition of Value
  • Benefit
    • Revenue Increase
    • Cost Reduction
    • Risk Avoidance
  • Customer Experience Impact Value
    • Agent
    • Consumer
    • Internal
    • Partner

• Definition of Effort
  • High Level Estimated Hours
Customer Experience

Customer Experience will be measured along 4 experience impacts:
- Agent
- Customer
- Internal
- Partner

Each CX experience impact area will be measured based on the below scoring:

<table>
<thead>
<tr>
<th>Questions for each Project</th>
<th>CX Experience Impact</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does this initiative impact the security or safety of our customers?</td>
<td>Security</td>
<td>Much less secure</td>
<td>slightly less secure</td>
<td>no impact to security</td>
<td>slightly more secure</td>
<td>Much more secure</td>
</tr>
<tr>
<td>Does this initiative make it easier for our customers to complete a transaction, or will the transaction require more effort?</td>
<td>Effort</td>
<td>Much more effort</td>
<td>slightly more effort</td>
<td>no impact to effort</td>
<td>slightly less effort</td>
<td>Much less effort</td>
</tr>
<tr>
<td>Does this initiative impact how slow or fast the transaction is completed?</td>
<td>Speed</td>
<td>much slower</td>
<td>slightly slower</td>
<td>no impact to speed</td>
<td>slightly faster</td>
<td>much faster</td>
</tr>
<tr>
<td>How does this initiative impact the price our customers will pay?</td>
<td>Price</td>
<td>much more expensive</td>
<td>slightly more expensive</td>
<td>no impact to price</td>
<td>slightly less expensive</td>
<td>much less expensive</td>
</tr>
</tbody>
</table>
How Does it Work?

\[ WSJF = \frac{Value}{Effort} \]

\[ = \frac{Benefit + Customer Experience}{Effort} \]

\[ = \frac{Benefit + Agent Experience + Consumer Experience + Internal Experience + Partner Experience}{High Level Estimate Hours} \]
WSJF Example 1

• Variables
  • Benefit: $550,000 (identified in business case)
  • Customer Experience:
    • Agent: 12 (Neutral)
    • Consumer: 12 (Neutral)
    • Internal: 13 (Slight Increase)
    • Partner: 12 (Neutral)
  • Effort: 1,289 Hours

\[
WSJF = \frac{Benefit + Agent Experience + Consumer Experience + Internal Experience + Partner Experience}{High Level Estimate Hours}
\]

\[
WSJF = \frac{$550,000 + 12 + 12 + 13 + 12}{1,289 \text{ hrs}}
\]

\[
WSJF = \frac{8 + 1 + 1 + 2 + 1}{3}
\]

\[
WSJF = 4.3
\]
WSJF Example 2

• Variables
  • Benefit: $1,400,000 (identified in business case)
  • Customer Experience:
    • Agent: 12 (Neutral)
    • Consumer: 16 (Significant Increase)
    • Internal: 14 (Slight Increase)
    • Partner: 12 (Neutral)
  • Effort: 6,430 Hours

\[
WSJF = \frac{\text{Benefit} + \text{Agent Experience} + \text{Consumer Experience} + \text{Internal Experience} + \text{Partner Experience}}{\text{High Level Estimate Hours}}
\]

\[
WSJF = \frac{1,400,000 + 12 + 16 + 14 + 12}{6,430 \text{ hrs}}
\]

\[
WSJF = \frac{20 + 1 + 8 + 3 + 1}{13}
\]

\[WSJF = 2.54\]
### A Component to a Conversation

<table>
<thead>
<tr>
<th>Priority</th>
<th>Project</th>
<th>Benefit</th>
<th>CX Value</th>
<th>Effort</th>
<th>WSJF Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>WSJF Example 1</td>
<td>$550,000</td>
<td>49</td>
<td>1,289</td>
<td>4.3</td>
</tr>
<tr>
<td>2</td>
<td>WSJF Example 2</td>
<td>$1,400,000</td>
<td>54</td>
<td>6,430</td>
<td>2.54</td>
</tr>
</tbody>
</table>
Demand Management

**Problem Statement:** There is no current process to assess IT capacity against demand outside of measuring only software development capacity.

**Pain Points:**
- Work moving forward surpasses IT capacity
- Over commitment / Resource Constraints
- Work across all portfolios are competing for resources due to lack of prioritization
- No visibility to resources & capacity beyond software development

**Opportunities**
- Prioritization of opportunities based on value across the Enterprise
- Demand and Capacity views all of the resources necessary for implementation
- Optimize financial expenditure on contract/augmented resources by ensuring staff is sized and skilled appropriately for the work.
Demand Management

- Conducted within software development
- No Funnel for starting work
- Conflict across business functions for development expertise.
- Demand was not balanced against capacity.

- A Demand Management Framework
- Mature Validation of Project Business Cases
- Utilization of an Enterprise Prioritization framework to resolve conflicts for development skills

Image Source: http://nuvalo.com/blog/demand-management/
Resource Allocation Committee

A Committee within the Technology organization that evaluates the current demand on teams, and their available capacity to consume new work.

This Committee is responsible for determining if and when new work could begin based on the priority of work.
Communicating the Change
3 Key Groups for Communicating the Change

• **IT Executives**
  - CIO
  - VP of IT
  - VP of Architecture
  - VP of Development

• **IT Sr. Management**
  - Sr. Directors
  - Directors

• **Executive Board**
  - CEO
  - CFO
  - CIO
  - CPO
  - COO
  - CCO
Communicating the Change

**IT Executives (CIO and VPs)**

1.) Alignment of Portfolio Management
2.) Champion the Portfolio Team and Changing Roles and Responsibilities
3.) Champion with Business Peers
4.) Encourage the Change
Communicating the Change

**IT Sr. Management (Sr. Directors and Directors)**

1.) Purpose of Portfolio Management
2.) Adjusting the Roles and Responsibilities
3.) Project Portfolio Z-Framework™
4.) Alignment of Portfolio Team Structure
Communicating the Change

Executive Board

1.) Alignment of Portfolios
2.) Portfolio Prioritization
3.) Enterprise Prioritization
Project Portfolio Z-Framework™

Portfolios

Value Proposition
Technical Assessment
Business Case
Portfolio Prioritization
Demand Backlog

Balancing

Delivery Management

Demand Management

Portfolio Management

Ideation

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Project Portfolio Z-Framework™
Project Portfolio Z-Framework™

Value Proposition
Technical Assessment
Business Case
Portfolio Prioritization
Demand Backlog
Resource Allocation Committee

Portfolio Management

Demand Management

Delivery Management

Idea ideation

Value

Balancing

Enterprise Prioritization

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Project Portfolio Z-Framework™
What Went Wrong?
Communicating the Change

**IT Executives (CIO and VPs)**

1. Alignment of Portfolio Management
2. Champion the Portfolio Team and Changing Roles and Responsibilities
3. Champion with Business Peers
4. Encourage the Change
Communicating the Change

**IT Executives (CIO and VPs)**

1.) CIO didn’t communicate to his leaders about the change
2.) VPs were not aligned regarding Roles and Responsibilities
3.) VPs Communicated to same business peers differently...driving confusion
4.) The change wasn’t encouraged or supported
Communicating the Change

**IT Sr. Management (Sr. Directors and Directors)**

1.) Purpose of Portfolio Management

2.) Adjusting the Roles and Responsibilities

3.) Project Portfolio Z-Framework™

4.) Alignment of Portfolio Team Structure
Communicating the Change

1.) Everyone understood why we needed Portfolio Management
2.) No alignment regarding adjusted R&R
3.) Framework was understood, but not embraced
4.) Without alignment on R&R, the Portfolio Team failed to function as designed
Communicating the Change

Executive Board

1.) Alignment of Portfolios

2.) Portfolio Prioritization

3.) Enterprise Prioritization
Communicating the Change

Executive Board

1.) The Executive Board agreed on the portfolios; however, this was a dysfunctional portfolio structure
2.) Some executives accepted the need to prioritize their portfolio, while others felt it wasn’t necessary.
3.) Without prioritized portfolios, this never got started.
3 Key Groups for Communicating the Change

- IT Executives
  - CIO
  - VP of IT
  - VP of Architecture
  - VP of Development

- IT Management
  - Sr. Directors
  - Directors
  - Managers

- Executive Board
  - CEO
  - CFO
  - CIO
  - CPO
  - COO
  - CCO

Where is the rest of the business?
Alignment of What the Change Meant

“To effectively communicate, we must realize that we are all different in the way we perceive the world and use this understanding as a guide to our communication with others.”

Anthony Robbins
Imbalance in Hierarchy of Work
The Real Purpose of Portfolio Teams

The Portfolio Team concept was a dysfunctional attempt to minimize the change to the Portfolio Developer role; who had these responsibilities prior to the creation of a Portfolio Management Function.
Portfolio Landscape by Business Function

Product
Compliance / Legal
Technology / Info Sec
Operations
Sales & Marketing
Finance & HR

These are Business Functions!!
What Behavior Does This Drive?

Product
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4

Compliance/Legal
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4

Finance & HR
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4

IT / Info Sec
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4

Operations
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4

Sales & Marketing
- Strategy 1
- Strategy 2
- Strategy 3
- Strategy 4
Portfolio management is the **strategy-based**, prioritized set of all projects and programs in an organization reconciled to the resources available to accomplish them.
Ideal Portfolio Structure

- Maximize Profitability
- Big Opportunities
- Compliance is Core
- Multi-channel Expansion

These were the Strategic Objectives
What Should have Been

Strategy 1
- Product
- Comp. & Legal
- IT & Info Sec
- Sale & Mktg
- Finance & HR

Strategy 2
- Product
- Comp. & Legal
- IT & Info Sec
- Sale & Mktg
- Finance & HR

Strategy 3
- Product
- Comp. & Legal
- IT & Info Sec
- Sale & Mktg
- Finance & HR

Strategy 4
- Product
- Comp. & Legal
- IT & Info Sec
- Sale & Mktg
- Finance & HR

Exec Board
Causes for Failure - Culture

- Functional groups operated at their own interest, not the interest of the organization.
- Employees with more seniority (time-basis) were able to move around or disrupt the system.
- A Software Development view of the world prohibited proper demand and capacity planning.
- Disregard for capacity and focusing only on spending approved funds resulted in constraints within the system.
Causes for Failure - Leadership

- Executive Leadership resisted an enterprise view of demand
- CIO did not communicate the change to VPs prior to requiring change to occur
  - Technology VPs did not accept the change.
  - Technology VPs did not communicate the change to Sr. Management
- Sr. Technology Management resisted the changing Roles & Responsibilities
Causes for Failure

- Didn’t build relationships with technology peers that had responsibilities shifting
- Didn’t build relationships with key business peers to help advocate for the change.
- Absent the CIO, was unable to get Technology VPs to align on a portfolio and demand management approach
- Unable to build a consensus for a consistent approach to resource allocation
- Unable to build the desire to adopt a portfolio and enterprise prioritization approach.
Summary

• People don’t like change, especially when it involves them.
• Your organizational peers should be your closest team members.
• Portfolios must be aligned by Strategy, or some cross-functional objectives.
• A Lack of Prioritization creates an uncontrollable work flow
• Focus demand and capacity on everything necessary to get the work from idea to customer
THAT MOMENT AT THE END OF A 2-HOUR COMMANDER’S CALL WHEN THE BOSS ASKS IF THERE ARE ANY QUESTIONS.....AND SOMEONE RAISES THEIR HAND.
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