Collaborative Frameworks for Portfolio Prioritization

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Portions of this slide deck are drawn from the SAFe® Certified Lean Portfolio Management course
Session Objectives

At the end of this session, you should be able to:

- Identify four common anti-patterns to portfolio prioritization
- Use four frameworks to improve portfolio prioritization
  - 20/20 Vision Align on Strategy Themes
  - Prune the Future Understand opportunities for growth
  - Investments by Horizon Manage investments across time horizons
  - Participatory Budgeting Collaborative resource allocation
  - The Max Prioritization Pyramid Coordinate work across teams for shared goals
Lean Portfolio Management in SAFe
A closer look at the Portfolio Level

- Collaborating teams of work best when they are leveraging specific templates to help them accomplish their work
Prioritization anti-patterns

**HiPPo** - Highest-paid person makes the decision.

“The Senior VP said we should do this project.”

**Squeaky Wheel** - The person who yells the loudest or makes the biggest promise of revenue.

“Fund my project and we will make a billion dollars!”

**ROI** - Making a decision based exclusively on ROI without considering other factors.

“The ROI indicates we will make a 30% profit.”
Critical questions for Lean Portfolio Management

- **Goals:** What do we want to achieve and how will we know we’re successful?
- **Strategy:** How we believe we’re going to realize our goals *over time*
- **Glue:** Roadmaps that show milestones for strategy
  What is our intention for funding and planning
- **Funding:** Specific resources engaged to do the necessary work:
  Epics, Guardrails and value streams
- **Balance:** How can we coordinate complex initiatives
Principles/practices I have found helpful (4 of 8)

- Build alignment on goals before prioritizing
- Define strategic time horizon (e.g., Is one year strategic or ten?)
- Engage strategic prioritization before tactical prioritization
- Define reprioritization time horizon (annual is too long! quarterly?)
Principles/practices I have found helpful (4 of 8)

- Create prioritization themes (e.g., "Run the Business", Infrastructure, Innovation”) and prioritize themes separately
- Identify not more than 7 critical attributes for prioritization
- Distinguish between “Reserving” and “Allocating” Resources (e.g., I might reserve $2M/Quarter for an initiative but only allocate the money one quarter at a time based on performance)
- Teams make better decisions at scale so include a lot of them
20/20 Vision
A template for aligning on portfolio goals priorities.
20/20 Vision for Prioritization

- Identify portfolio goals or strategic themes
- Sort into more/less important
- Force rank the final set of choices
- The team determines content and placement
- Insights are obtained by listening to *how* the team debates the placement of items
Investments by Horizon
A template to align the portfolio with strategic themes while promoting overall health and growth.
Guide investments by horizon

- **Horizon 3 (Evaluating):** Investment for new potential solutions
- **Horizon 2 (Emerging):** Solutions that have emerged from horizon three
- **Horizon 1:** Desired state where solutions deliver more value than their cost:
  - **Investing:** Solutions that require significant ongoing investment
  - **Extracting:** Stable solutions that deliver great value with minimal new investment
- **Horizon 0 (Retiring):** Investment to decommission solutions

The example allocations shown in this figure were suggested in the Harvard Business Review article located at https://hbr.org/2012/05/managing-your-innovation-portfolio
Prune the Future
A means to identify opportunities for growth.
Prune the Future for Growth

- Represent a product, service or the company as a tree to explore how it can grow.
  - Apple: Opportunity
  - Rotten Apple: Needs Fixing
  - Water: Infrastructure

- Placement indicates when and helps categorize items.

- The team determines content and placement.
Step 1:
Each team conducts an online forum. Scrum Masters and PMs often act as facilitators.

Step 2:
PMs download and analyze results to identify patterns of opportunity.

Step 3:
Roadmap items feed the Program and Product Kanbans and backlogs.
Participatory Budgeting

A collaborative process whereby a group of stakeholders decide how to allocate a budget.
What do we fund?

Participatory Budgeting is a process through which a group of stakeholders decides on, or contributes to, decisions made on the use of resources.

Lean Portfolio Fiduciaries use Participatory Budgeting to provide Business Owners, Epic Owners, Product and Solution Managers, Solution-System Architects and other stakeholders with the forum needed to effectively and efficiently implement Lean Budgeting.
Step 1:
Coaches prepare forum data (budgets and initiatives) and identify participants.

Step 2:
Coaches produce Weave forums.

Step 3:
The data is analyzed to determine which initiatives should be funded.
Max Prioritization Pyramid

A framework that supports teams in prioritizing work across multiple areas or initiatives to realize a common goal.
The Max Prioritization Pyramid

**CREATE THE FUTURE**

Items in this area are vitally important to reach the future, but not urgent to sustain the current state.

**REINFORCE FOUNDATION**

Items in this area are foundational priorities, typically informed by actual urgency of desired outcome; often run-the-business priorities that require *changing*.

**GET HOUSE IN ORDER**

Areas emerge through consensus.
It is common to start with an in-person workshop
Weave can be used for distributed teams
Let’s try it!
Step 1: Pick an area of interest. Organize into groups of five.
Step 2: House Remodel

- Your team of five people have decided to band together to purchase a rental home close to the beach in Santa Cruz, CA.
- You want to remodel the home to increase rental income!
20/20 Vision: What are your goals and priorities?

1. Work individually and add new ideas to yellow region
2. Work individually or collaborate with colleagues to organize ideas into More Important or Less Important
3. Collaborate to organize More Important ideas in rank order, 1-10. This framework is based on 20/20 Vision, an original Innovation Game®.
Prune the Future: What to do now? In the future?

Imagine that you’re going to be renting this home for the next 10 years. What projects should you do sooner? What should you do later?
Participatory Budgeting: Where to invest our budget?

We have a construction budget of $140,000. We have estimates of $253,000 from our contractors. What should we do?

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paint the Outside</td>
<td>Includes removing existing paint, priming and painting.</td>
<td>$7 K</td>
</tr>
<tr>
<td>Re-Brick the Chimney</td>
<td>Update the chimney to meet new safety codes.</td>
<td>$9 K</td>
</tr>
<tr>
<td>Update Kitchen</td>
<td>New appliances and repainted cabinets.</td>
<td>$25 K</td>
</tr>
<tr>
<td>Full Kitchen Remodel</td>
<td>New layout, new appliances, new cabinets - everything!</td>
<td>$55 K</td>
</tr>
<tr>
<td>New Windows</td>
<td>Replace all existing windows with energy efficient, sealed aluminum windows.</td>
<td>$22 K</td>
</tr>
<tr>
<td>Remodel Bathroom</td>
<td>Remodel and update existing bathroom, including replacing the tub and all fixtures.</td>
<td>$14 K</td>
</tr>
<tr>
<td>Paint the interior</td>
<td>Includes patching holes, priming and painting.</td>
<td>$5 K</td>
</tr>
<tr>
<td>Refinish all Wood Floors</td>
<td>Sand, stain and refinish all floors.</td>
<td>$5 K</td>
</tr>
<tr>
<td>Install Sound System</td>
<td>Install a new sound system: wireless speakers in every room controlled by a central server.</td>
<td>$4 K</td>
</tr>
<tr>
<td>New Bedroom</td>
<td>Adds a fourth bedroom to the back of the house. Note that if you fund the new bedroom you cannot fund the new bathroom.</td>
<td>$35 K</td>
</tr>
<tr>
<td>New Bathroom</td>
<td>Adds a 2nd full bathroom (sink, toilet and show) to the back of the house. Note that if you fund the new bathroom you cannot fund the new bedroom.</td>
<td>$45 K</td>
</tr>
<tr>
<td>New Landscaping</td>
<td>Update the landscaping in the front (but keep the existing driveway).</td>
<td>$3 K</td>
</tr>
<tr>
<td>New Driveway and Sidewalk</td>
<td>Remove and replace all concrete. Includes removal fees.</td>
<td>$9 K</td>
</tr>
<tr>
<td>New Roof</td>
<td>Remove all existing roof materials, repair any wood rot and replace with a new roof.</td>
<td>$15 K</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$253 K</td>
</tr>
</tbody>
</table>
Max Prioritization Pyramid: How do we align multiple workstreams?

Can you organize remodel projects into a series of workstreams?