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## Lesson 1

# Introducing Lean Portfolio Management

### Learning Objectives:

- 1.1 Define the SAFe portfolio
- 1.2 Organize the portfolio around value
- 1.3 Explain the need for Lean Portfolio Management
- 1.4 Apply the Lean-Agile mindset to portfolio management
- 1.5 Describe key Lean Budgeting practices



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.



## Discussion: Introductions

Duration



- ▶ **Step 1:** Introduce yourself to someone you don't already know
- ▶ **Step 2:** Share something you know about SAFe and the role of the Lean Portfolio Management (LPM) function
- ▶ **Step 3:** Be prepared to share with the class:
  - What is your current role?
  - What are your expectations for this class?



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Notes:

## Course map

- ▶ Lesson 1: Introducing Lean Portfolio Management
- ▶ Lesson 2: Establishing Strategy and Investment Funding
- ▶ Lesson 3: Applying Agile Portfolio Operations
- ▶ Lesson 4: Applying Lean Governance
- ▶ Lesson 5: Implementing the LPM Function
- ▶ Lesson 6: Becoming a SAFe Lean Portfolio Manager

Notes:

## Establishing a common context for this course

- ① **Private class:** Use the handouts for your organization's context



- ② **Public class:** Use the Terrific Transport Corporation (TTC) examples in your workbook



Notes:

### 1.1 Define the SAFe portfolio

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Notes:

#### What is a SAFe portfolio?

- ▶ A SAFe portfolio manages multiple development Value Streams, each of which is dedicated to building and supporting a set of Solutions for a particular business domain or Government agency
- ▶ A portfolio typically represents a specific area of the Enterprise, for example business units or divisions



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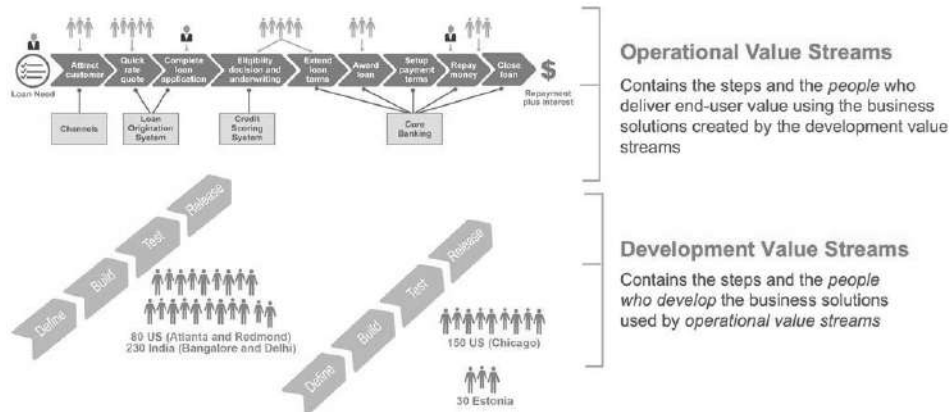
Notes:



## 1.1 Define the SAFe portfolio

### Development Value Streams

Development Value Streams provide Solutions for operational Value Streams

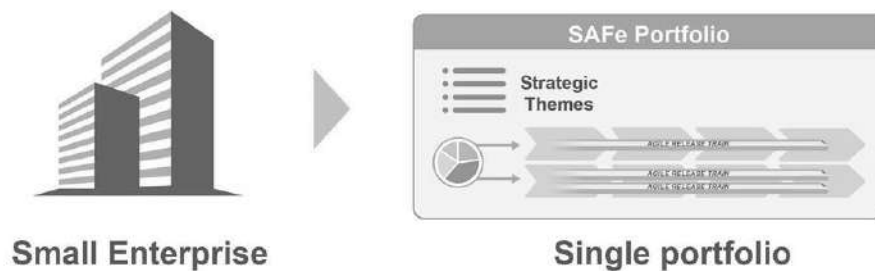


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Notes:

Small Enterprises may have a single SAFe portfolio



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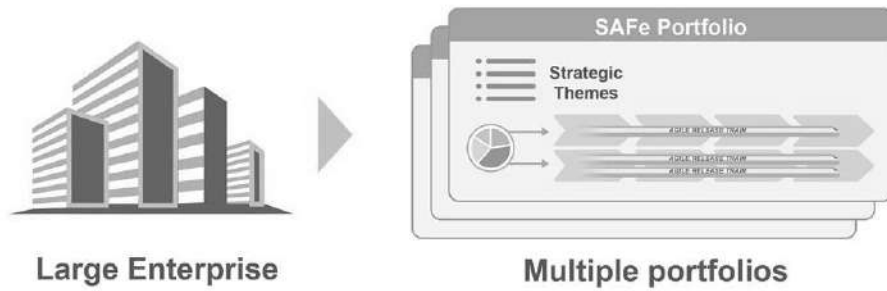
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Notes:

## 1.1 Define the SAFe portfolio

### Large Enterprises will have multiple portfolios

In larger enterprises, there can be multiple SAFe portfolios, typically one for each line of business, business unit, or division.



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Notes:

## 1.2 Organize the portfolio around value

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Notes:



Video: Managing Value Streams over projects



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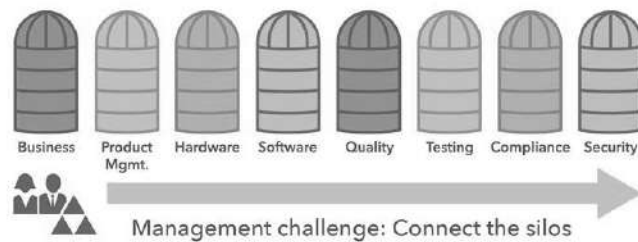
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Notes:

## 1.2 Organize the portfolio around value

### Value doesn't follow functional silos

- ▶ Value delivery in silos is inhibited by handoffs and delays.
- ▶ Political boundaries can prevent cooperation across silos.
- ▶ Communication across silos is difficult.



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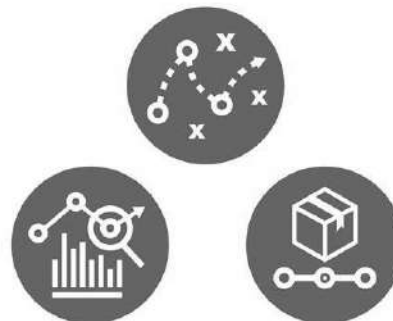
11

Notes:

### Instead, organize the portfolio around the flow of value

Organizing the portfolio around value requires the enterprise to:

- ▶ Move from projects to products and services
- ▶ Understand what the Value Streams deliver and how to do value stream mapping
- ▶ Focus on achieving business outcomes rather than completing tasks



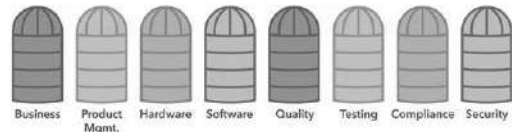
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Notes:

### What is a Value Stream?

It contains all the people who do the work, the systems, and the flow of information and materials.



#### AGILE RELEASE TRAIN

The sequence of steps used to deliver value (products, services, and applications) to the Customer.



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Notes:

### Identify the Value Streams within a portfolio

- Understand how the organization of Value Streams and Agile Release Trains (ARTs) impact value delivery
- Identify Value Streams and ARTs within a portfolio
- Periodically run the SAFe® *Value Stream and ARTs Identification Workshop* to optimize the flow of value



Available to SPCs in the  
SAFe Community Platform

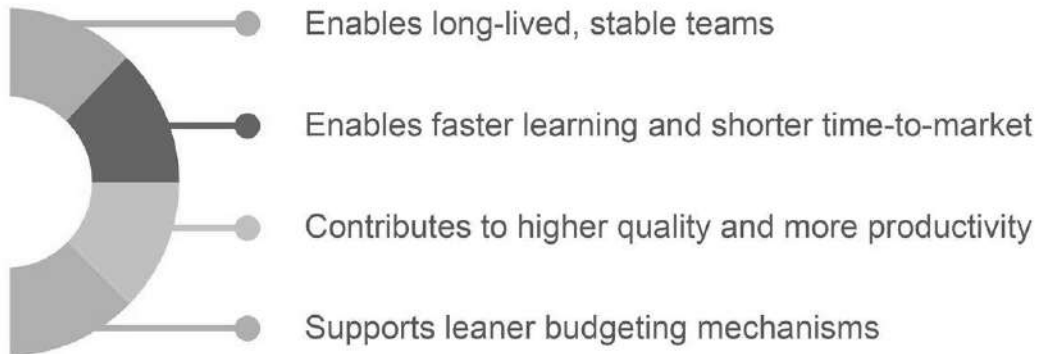
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Notes:

## 1.2 Organize the portfolio around value

### Key benefits of organizing the portfolio around value




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Notes:

## 1.2 Organize the portfolio around value



Discussion: Organizing the portfolio around value


Prepare  
5 min

Share  
3 min

► **Step 1:** Considering the current state of your portfolio process, discuss:

- Is your portfolio organized in functional silos, or is it organized around value using cross-functional teams?
- Do you manage work through projects or Agile Release Trains which are empowered for continuous value flow?

► **Step 2:** Be prepared to share with the class



SAFe Portfolio

Strategic Themes

Flow of value realized by ARTs

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Notes:

## 1.3 Explain the need for Lean Portfolio Management

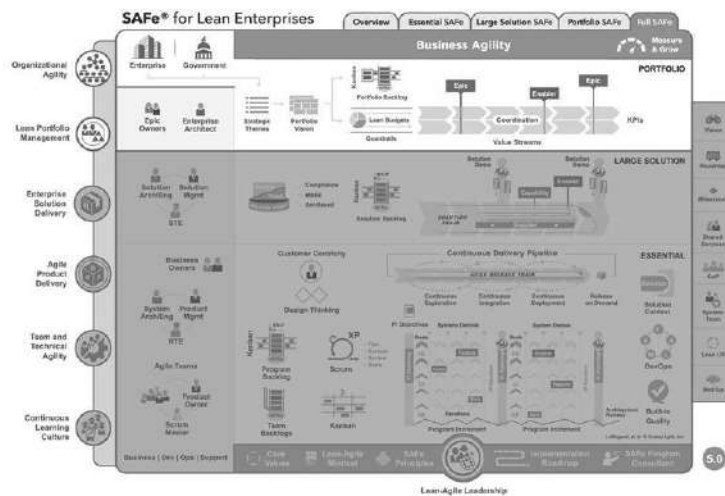
# 1.3 Explain the need for Lean Portfolio Management

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Notes:

## Lean Portfolio Management in SAFe



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Notes:



## 1.3 Explain the need for Lean Portfolio Management

### Lean Portfolio Management competency

- ▶ Lean Portfolio Management (LPM) is one of the seven core competencies of the Lean Enterprise
- ▶ The LPM competency aligns strategy and execution by applying Lean and systems-thinking approaches to strategy and investment funding, Agile portfolio operations, and governance.



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Notes:

### Purpose of the Lean Portfolio Management (LPM) function

The LPM function governs each SAFe portfolio, providing three essential collaborations to realize its responsibilities:

- ▶ Strategy and investment funding
- ▶ Agile portfolio operations
- ▶ Lean governance



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## 1.3 Explain the need for Lean Portfolio Management

### Traditional project portfolio management challenges

- ▶ Traditional project portfolio approaches inhibit the flow of value
- ▶ Project cost accounting
- ▶ Annual planning and rigid budgeting cycles
- ▶ Perpetual overload of demand versus capacity
- ▶ Phase-gate approval processes that fail to mitigate risk
- ▶ Overly detailed business cases with speculative ROI

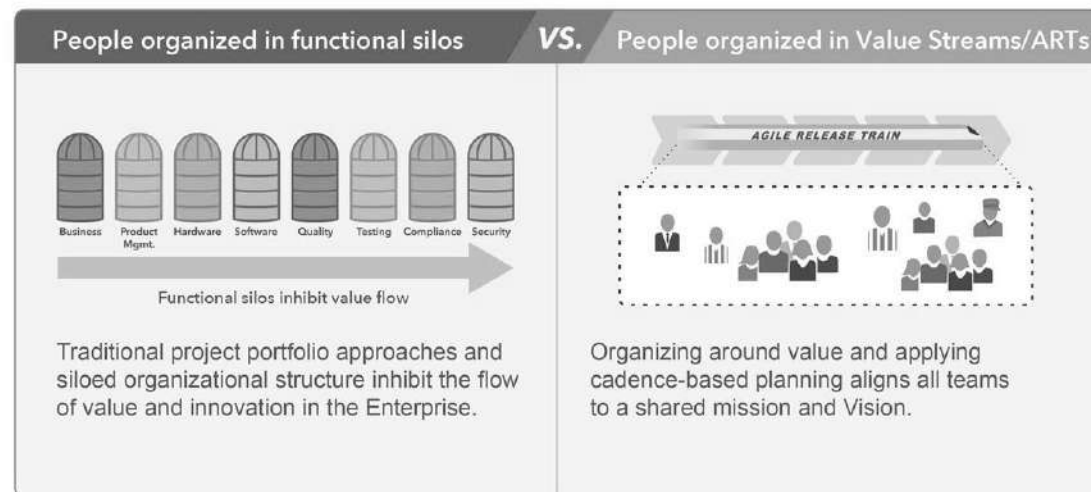


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Notes:

### Traditional portfolio approaches vs organizing around value



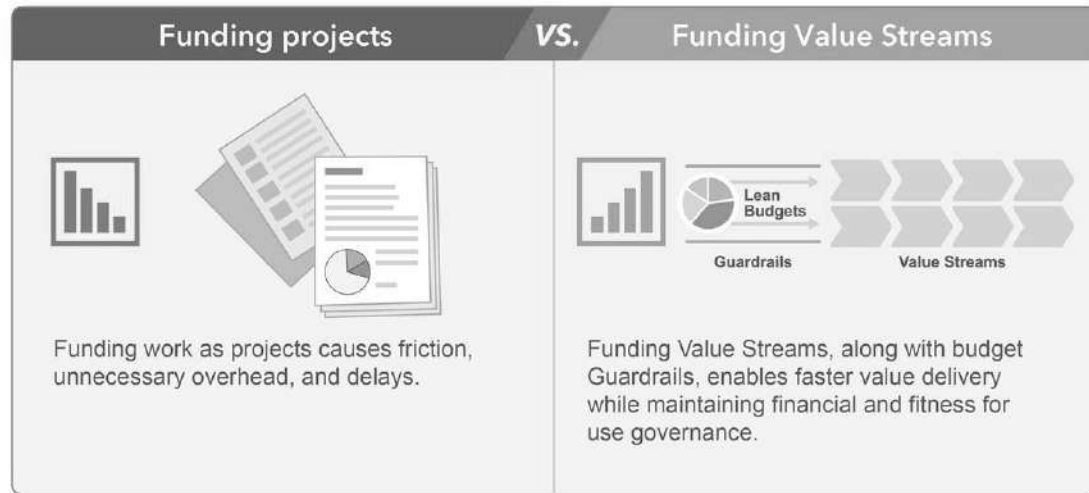
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Notes:

## 1.3 Explain the need for Lean Portfolio Management

### Project cost accounting vs Lean Budgets and Guardrails

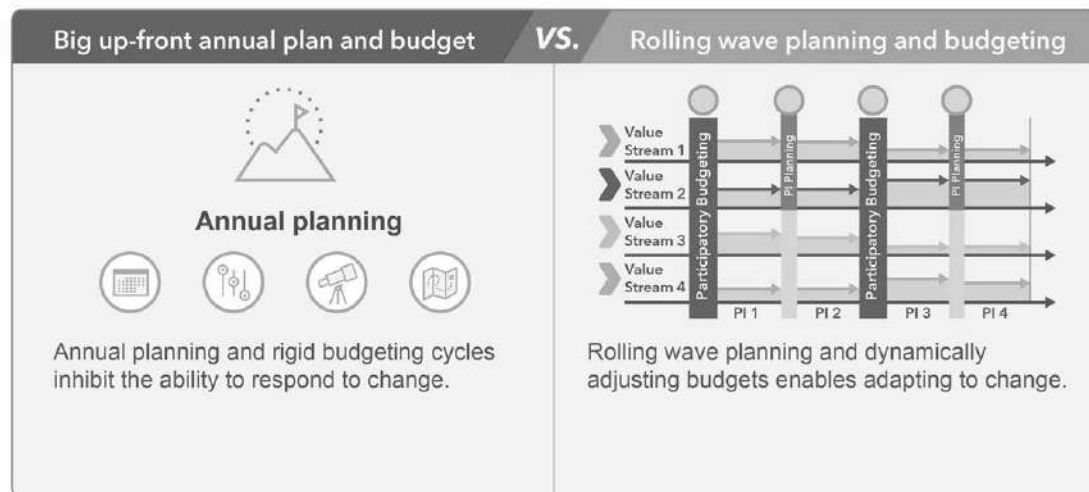


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Notes:

### Annual planning and rigid budgeting cycles vs. rolling wave planning



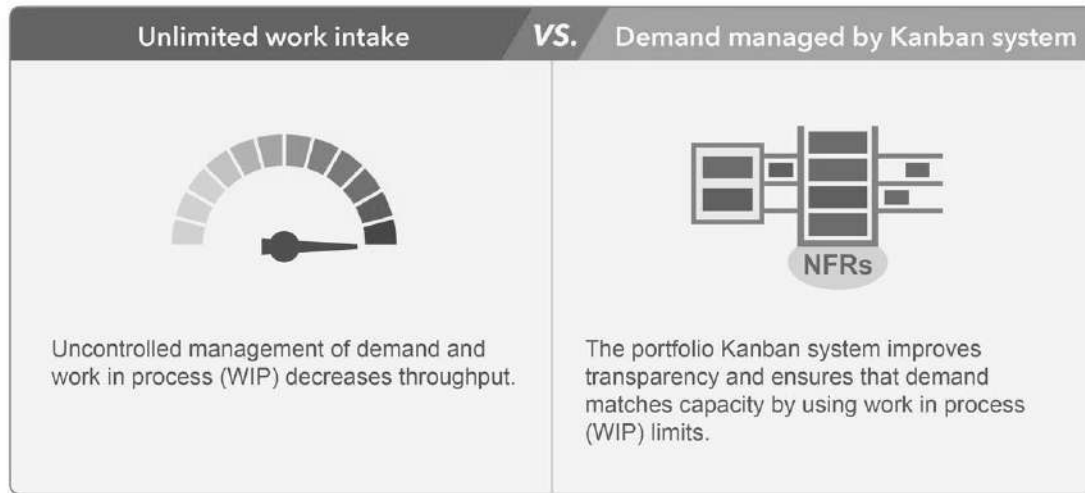
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Notes:

## 1.3 Explain the need for Lean Portfolio Management

### Perpetual overload of demand vs. matching demand to capacity

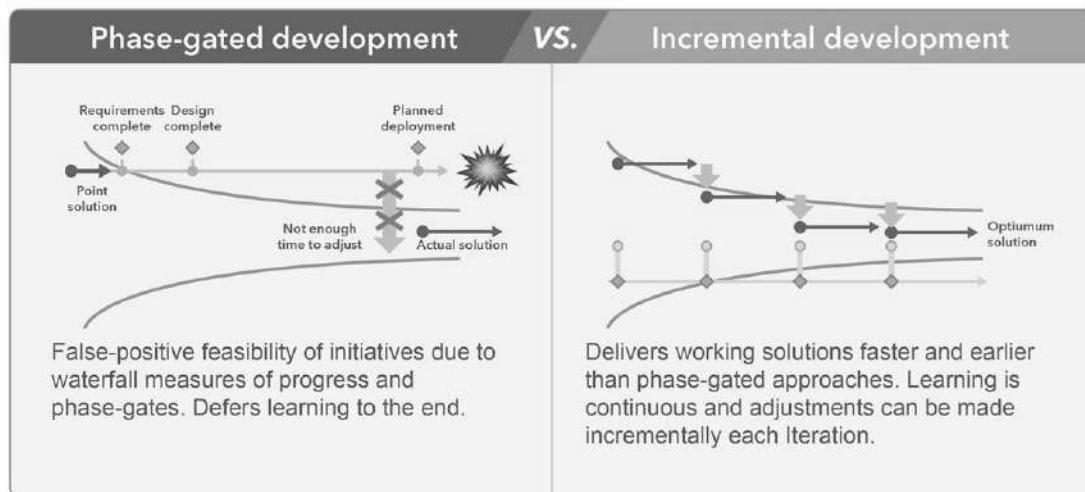


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Notes:

### Phase-gate approvals vs incremental value delivery



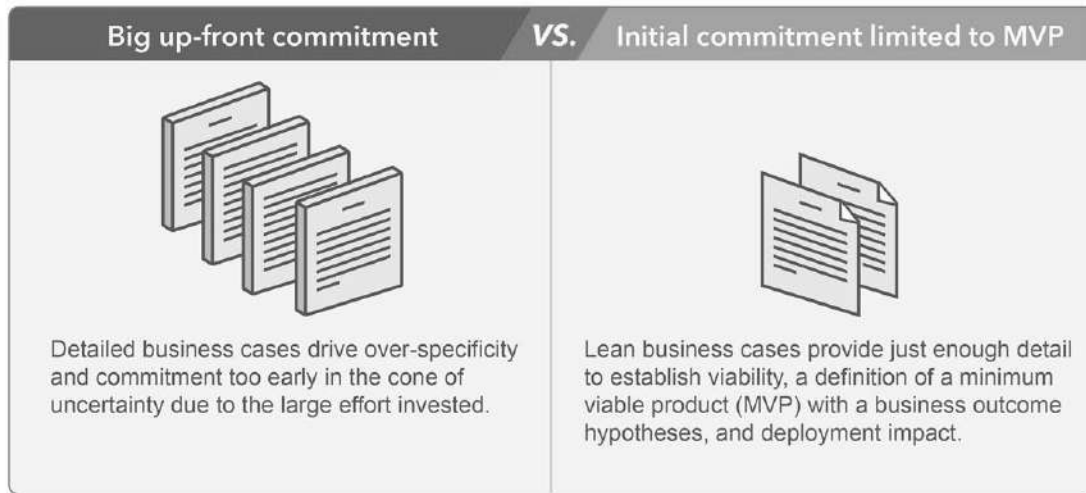
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Notes:

## 1.3 Explain the need for Lean Portfolio Management

### Overly detailed business cases vs Lean business cases




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Notes:

## 1.3 Explain the need for Lean Portfolio Management



Activity: Map your portfolio current state process

Prepare  
15 min

Share  
10 min

- ▶ **Step 1:** Using a flip chart sheet or a whiteboard, construct the current state process (high-level map) of your portfolio
- ▶ **Step 2:** Present the current state to the class, considering the following:
  - What is the intake process for introducing portfolio work?
  - What challenges do you have with your current process?
  - What are some of the gaps?

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## 1.4 Apply the Lean-Agile Mindset to portfolio management

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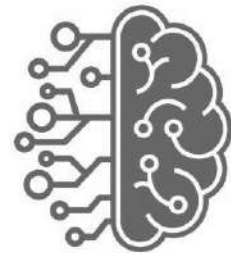
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Notes:

What is a mindset?

mindset  
/'mīn(d)set/  
*Noun*

1. the established set of attitudes held by someone



Example:  
This company seems  
stuck in a traditional  
project mindset.

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Notes:

## 1.4 Apply the Lean-Agile mindset to portfolio management



Video: What is a Lean-Agile Mindset?

Duration  
3 min



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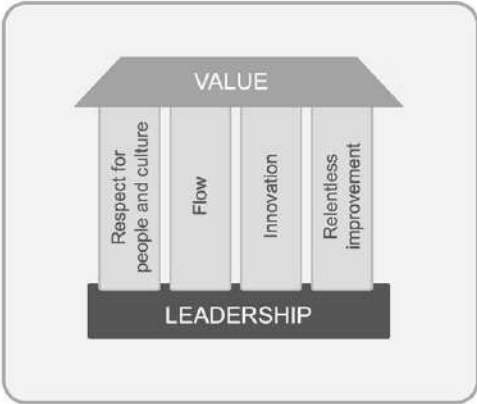
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Notes:

Two primary aspects of a Lean-Agile mindset

Thinking Lean with the SAFe House of Lean



Embracing Agility with the Agile Manifesto

*We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:*

- Individuals and interactions** over processes and tools
- Working software** over comprehensive documentation
- Customer collaboration** over contract negotiation
- Responding to change** over following a plan


*That is, while there is value in the items on the right, we value the items on the left more.*

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Notes:





Activity: Shifting to a Lean-Agile mindset in your organization

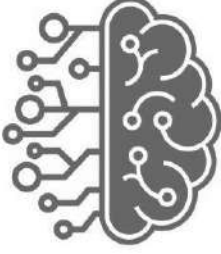
Prepare  
5 min

Share  
3 min

► **Step 1:** Using sticky notes and flip chart sheets, capture:

- Impediments in your Enterprise that inhibit Lean-Agile thinking
- Changes that your Enterprise can immediately make to shift from traditional to Lean-Agile mindsets

► **Step 2:** Be prepared to share with the class



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Notes:

### Applying the SAFe Lean-Agile Principles to the portfolio

- #1 - Take an economic view**
- #2 - Apply systems thinking**
- #3 - Assume variability; preserve options**
- #4 - Build incrementally with fast, integrated learning cycles**
- #5 - Base milestones on objective evaluation of working systems**
- #6 - Visualize and limit WIP, reduce batch sizes, and manage queue lengths**
- #7 - Apply cadence, synchronize with cross-domain planning**
- #8 - Unock the intrinsic motivation of knowledge workers**
- #9 - Decentralize decision-making**
- #10 - Organize around value**

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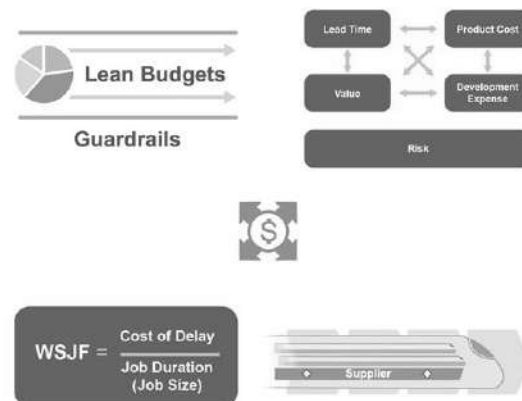
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Notes:

### Principle #1: Take an economic view

Base decisions on economics to achieve better business outcomes:

- ▶ Deliver early and often
- ▶ Operate within Lean Budgets and Guardrails
- ▶ Understand economic trade-offs for Solutions
- ▶ Leverage Suppliers
- ▶ Sequence jobs (Epics) for maximum benefit
- ▶ Empower local decisionmaking




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Notes:

## 1.4 Apply the Lean-Agile mindset to portfolio management



### Activity: Applying SAFe Principle #1 to the portfolio

Prepare  
5 min

Share  
2 min


► **Step 1:** Consider the following scenario:

- The Solutions in the Courier Van Value Stream have substantial technical debt, which has caused late delivery on a consistent basis. TTC has added a schedule buffer to mitigate late delivery. While schedule variability has been reduced, the overall lead time has increased.


► **Step 2:** Discuss as a team and share with the class:

- Is improved predictability of the schedule a good trade-off for a longer time to market?
- How would you apply SAFe Principle #1 to improve the situation?

**TTC Portfolio**



**Courier Van Value Stream**



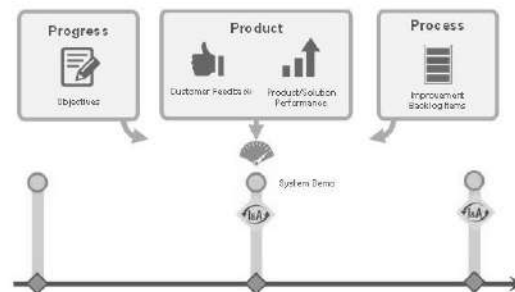
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Notes:

### Principle #5: Base milestones on objective evaluation of working systems

- Build the system in increments, each of which is an integration point that demonstrates some evidence of the feasibility of the solution in process.
- Milestones based on objective evaluation of working systems.




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Notes:

## 1.4 Apply the Lean-Agile mindset to portfolio management



### Activity: Applying SAFe Principle #5 to the portfolio

Prepare  
5 min


Share  
2 min

► **Step 1:** Consider the following scenario:

- The TTC portfolio has invested in a new Value Stream for delivering groceries. Due to changes in regulations, the phase-gated process requires the teams to revise all the requirements and gain approval before continuing development.

► **Step 2:** Discuss as a team and share with the class:

- How would you apply SAFe Principle #5 to improve portfolio flow?



**TTC Portfolio**

Autonomous  
Commercial  
Vehicle Value  
Stream

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Notes:

### Principle #6: Visualize and limit WIP...

Lean Enterprises strive to achieve a continuous flow of value. Three keys to implementing flow:

- ▶ Visualize and limit the amount of work in process (WIP) to match demand to actual capacity
- ▶ Reduce the batch sizes of work to facilitate a fast and reliable flow through the system
- ▶ Manage queue lengths to reduce the wait times for new Capabilities



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Notes:



Video: Execute work using a large batch size

Duration  
1 min

**Process #1**  
**0:00**



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Notes:

## 1.4 Apply the Lean-Agile mindset to portfolio management



Video: Execute work using a small batch size

Duration  
2 min

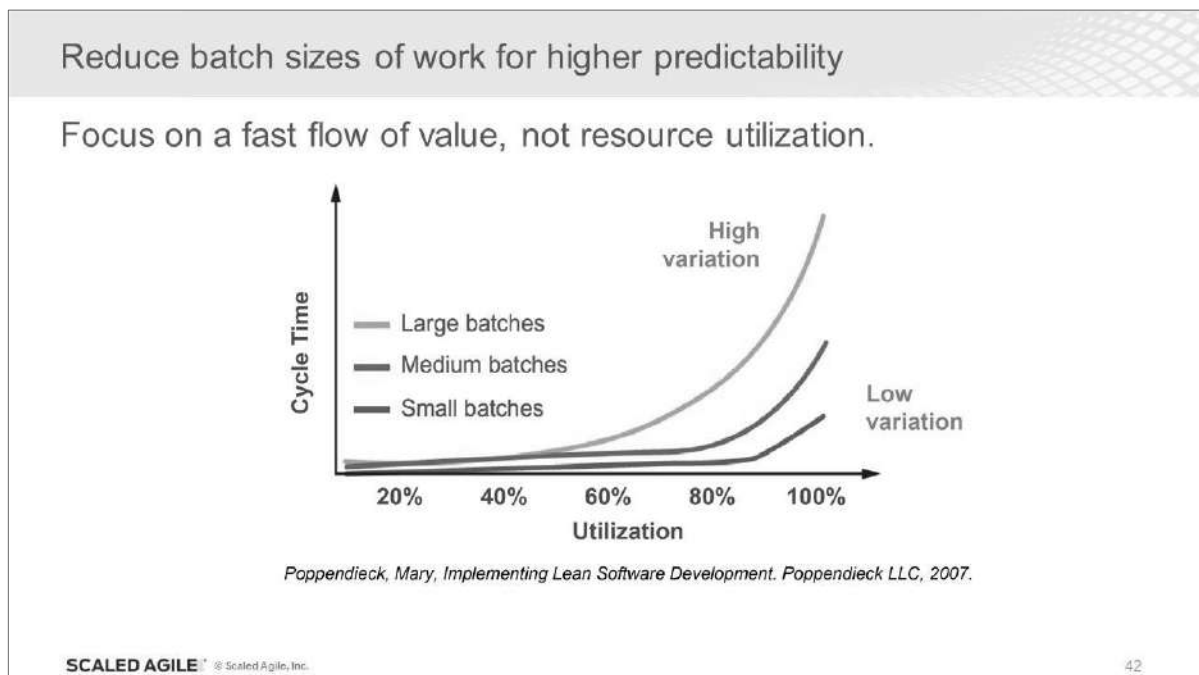


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Notes:




Notes:



Principle #9: Decentralize decision-making

Duration  
13 min

- ▶ Giving control to others requires technical competence and organizational clarity.
- ▶ How would you relate this video to Principle #9: Decentralize decision-making?




<https://bit.ly/1hq4jj5>

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Notes:


Foster decentralized decision-making




Centralize strategic decisions—those that are infrequent, long lasting, and have significant economies of scale. Decentralize all others.




Provide clarity on organizational objectives and provide opportunities to exercise and cultivate decision-making abilities.



Openly discuss how to move authority for decisions closer to where the work is performed.



Establish a decision-making framework that equips knowledge workers with the information to make good decisions.



Apply Lean Budget Guardrails to create alignment for decentralized decision-making with the appropriate controls.


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Notes:



## 1.4 Apply the Lean-Agile mindset to portfolio management



### Activity: Apply SAFe Principles to Lean Portfolio Management

Prepare

5 min

Share

5 min

- **Step 1:** As a team, select a SAFe Principle that was not discussed (highlighted in **bold**) and write it down on a flip chart sheet or a whiteboard
- **Step 2:** Using sticky notes, identify ways you could apply the principle to portfolio management
- **Step 3:** Be prepared to present to the class

#1 - Take an economic view

#2 - Apply systems thinking

#3 - Assume variability; preserve options

#4 - Build incrementally with fast, integrated learning cycles

#5 - Base milestones on objective evaluation of working systems

#6 - Visualize and limit WIP, reduce batch sizes, and manage queue lengths

#7 - Apply cadence, synchronize with cross-domain planning

#8 - Unlock the intrinsic motivation of knowledge workers

#9 - Decentralize decision-making

#10 - Organize around value

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Notes:

### Principle #2

#### Apply systems thinking

Systems thinking takes a holistic approach to solution development. It incorporates all aspects of a system and its environment into its design, development, deployment, and maintenance.

The primary aspects of system thinking are:

- The solution itself is a system
- The enterprise building the system is a system too
- Understanding and optimizing the full value stream is the only way to reduce the total time it takes from "concept to cash".

### Principle #3

#### Assume variability; preserve options

Understanding that variability is ever-present, drives teams to develop more effective development practices. One example is set-based design.

Set-based design manages risk better by considering multiple design options at the start. Weaker options can be eliminated over time and knowledge gained at each integration learning point is used to decide on the final design. This process keeps design options open for as long as possible, converges as necessary, and produces more optimal technical and economic outcomes.

### Principle #4

#### Build incrementally with fast, integrated learning cycles

This principle of both Lean and Agile development is pivotal to describing the mechanism for a new approach to systems building.

The set of insights embedded in the principle are the following:

- Integration points create knowledge from uncertainty
- Integration points occur by intent
- The more frequent the integration points, the faster the learning.

### Principle #7

#### Apply cadence, synchronize with cross-domain planning

Solution development is an inherently uncertain process. this uncertainty conflicts with the business's need to manage investment, track progress, and plan and commit to a longer-term course of action.

The primary way to achieve the balance of this inherent variability and the uncertainty is to use cadence and synchronization, supported by cross-domain planning, such as the PI Planning where teams and stakeholders from different functional areas gather to plan the work for the upcoming Program Increment.

### Principle #8

#### Unlock the intrinsic motivation of knowledge workers

Unlocking the intrinsic motivation requires focus on the following:

- Leveraging systems thinking
- Understanding the role of compensation
- Creating an environment of mutual influence
- Providing autonomy, mastery, and purpose

Lean-Agile leaders need to understand these paradigms and strive to continuously create an environment where knowledge workers can do their best work.

### Principle #10

#### Organize around value

Many enterprises today are organized around principles developed during the last century. In the name of intended efficiency, most are organized around functional expertise. But in the digital age, the only sustainable competitive advantage is the speed with which an organization can respond to the needs of its customers with new and innovative solutions. These solutions require cooperation amongst all the functional areas, with their incumbent dependencies, handoffs, waste and delays. Instead, Business Agility demands that enterprises organize around value to deliver more quickly. And when market and customer demands change, the enterprise must quickly and seamlessly reorganize around that new value flow.

### 1.5 Describe key Lean Budgeting practices

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Notes:

#### Key Lean Budgeting practices

##### Benefits of Lean Budgeting:

- ▶ Lower overhead and higher throughput
- ▶ Create alignment and transparency
- ▶ Foster decentralized decision-making
- ▶ Improved morale
- ▶ Teamwork mindset
- ▶ Better business outcomes

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##### Lean Budgeting

Beyond  
Project Cost  
Accounting  
with SAFe

1 2 3

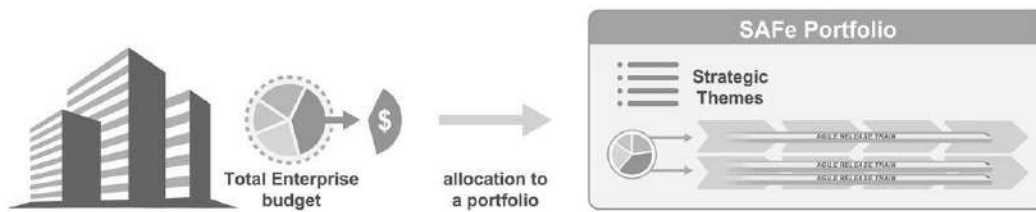
- 1 Fund Value Streams,  
not projects
- 2 Guide investments  
by horizon
- 3 Apply participatory  
budgeting

Notes:

## 1.5 Describe key Lean Budgeting practices

### Fund Value Streams not projects

- ▶ As part of the enterprise's total budget, an allocation of people and resources is established for each portfolio.
- ▶ The portfolio allocates the budget for each Value Stream.

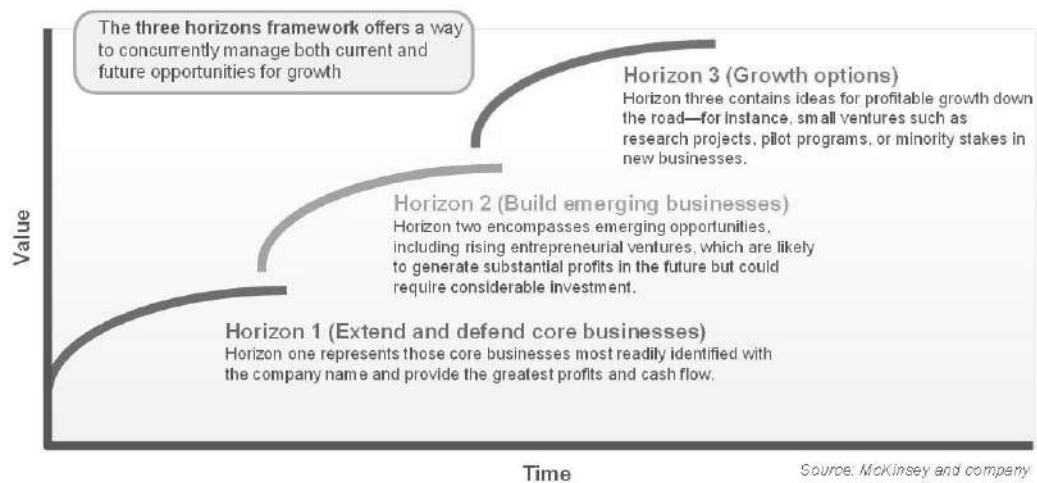


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Notes:

### Guide investments by horizons of growth




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Notes:

## 1.5 Describe key Lean Budgeting practices



Discussion: Three horizons of growth model

Prepare  
5 min

Share  
2 min

► **Step 1:** Discuss as a team:

- What is the importance of the three horizons of growth model for LPM fiduciaries?
- How would you apply this model to balance attention to investments in both current performance and opportunities for growth?

► **Step 2:** Be prepared to share with the class

The three horizons framework offers a way to concurrently manage both current and future opportunities for growth.

**Horizon 1 (Extend and defend core businesses)**  
Horizon one represents those core businesses most readily identified with the company name and provide the greatest profits and cash flow.

**Horizon 2 (Build emerging businesses)**  
Horizon two encompasses emerging opportunities, including strong entrepreneurial ventures, which are likely to generate substantial profits in the future but could require considerable investment.

**Horizon 3 (Growth options)**  
Horizon three contains ideas for profitable growth down the road—for instance, small ventures such as research projects, pilot programs, or minority stakes in new businesses.

Source: McKinsey and company

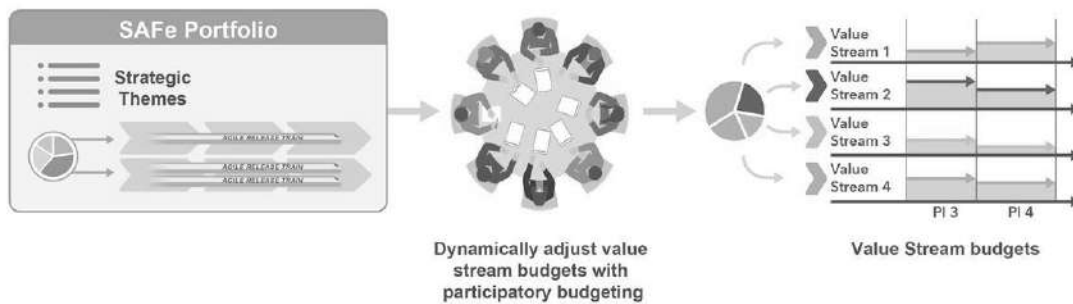
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Notes:

### Apply participatory budgeting


LPM and representatives from different value streams use 'participatory budgeting' to collaboratively determine which epics should be chosen next for implementation.



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Notes:



Discussion: Implementing Lean Budgets


Prepare  
5 min

Share  
2 min

► **Step 1:** Discuss as a team:

- What issues do you foresee with implementing Lean Budgets in your context?
- What would change in your current environment?
- Who would you need to influence to make the necessary changes?

► **Step 2:** Be prepared to share with the class



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Notes:

## Lesson review

In this lesson you:

- ▶ Defined the SAFe portfolio
- ▶ Explored organizing the portfolio around value
- ▶ Explained the need for Lean Portfolio Management
- ▶ Applied the Lean-Agile mindset to portfolio management
- ▶ Described key Lean Budgeting practices

Notes:



## Lesson 2

# Establishing Strategy and Investment Funding

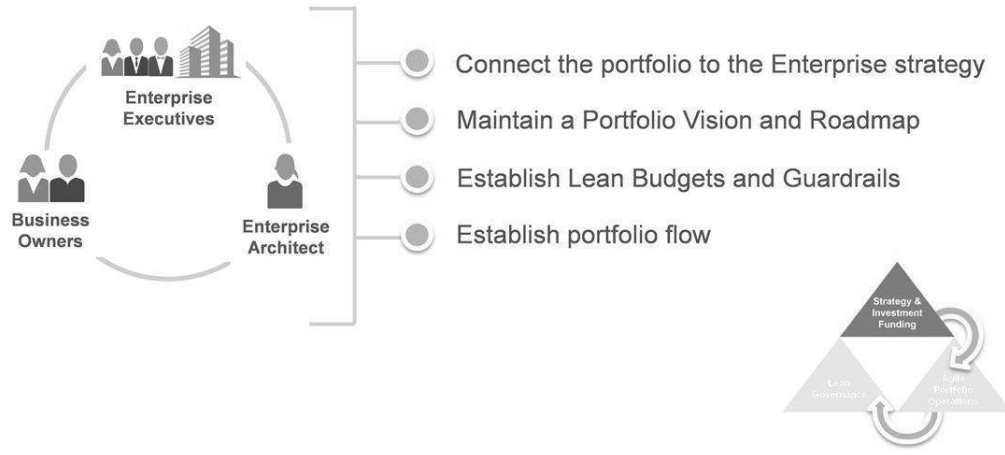
### Learning Objectives:

- 2.1 Connect the portfolio to Enterprise strategy
- 2.2 Maintain the Portfolio Vision
- 2.3 Establish Lean Budgets and Guardrails for the portfolio's Value Streams
- 2.4 Establish flow with the Portfolio Kanban



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.

## Strategy and investment funding: Collaboration and responsibilities



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Notes:



Notes:

Video: What is strategy?

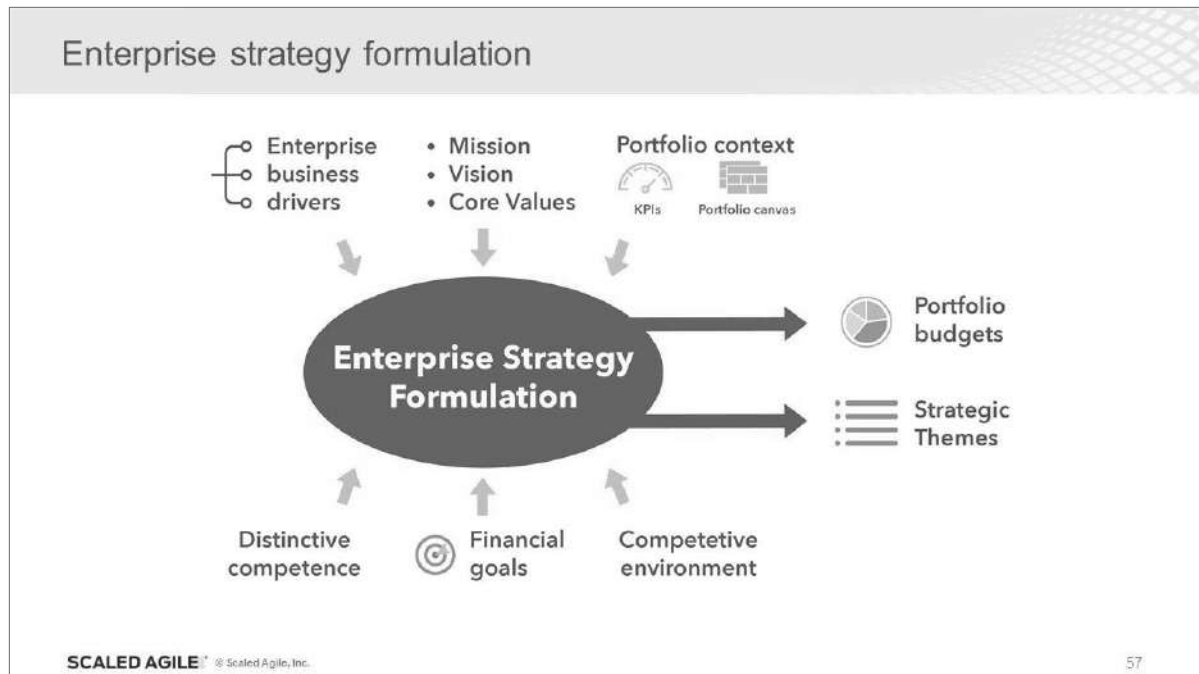


<https://youtu.be/TD7WSLeQtVw>

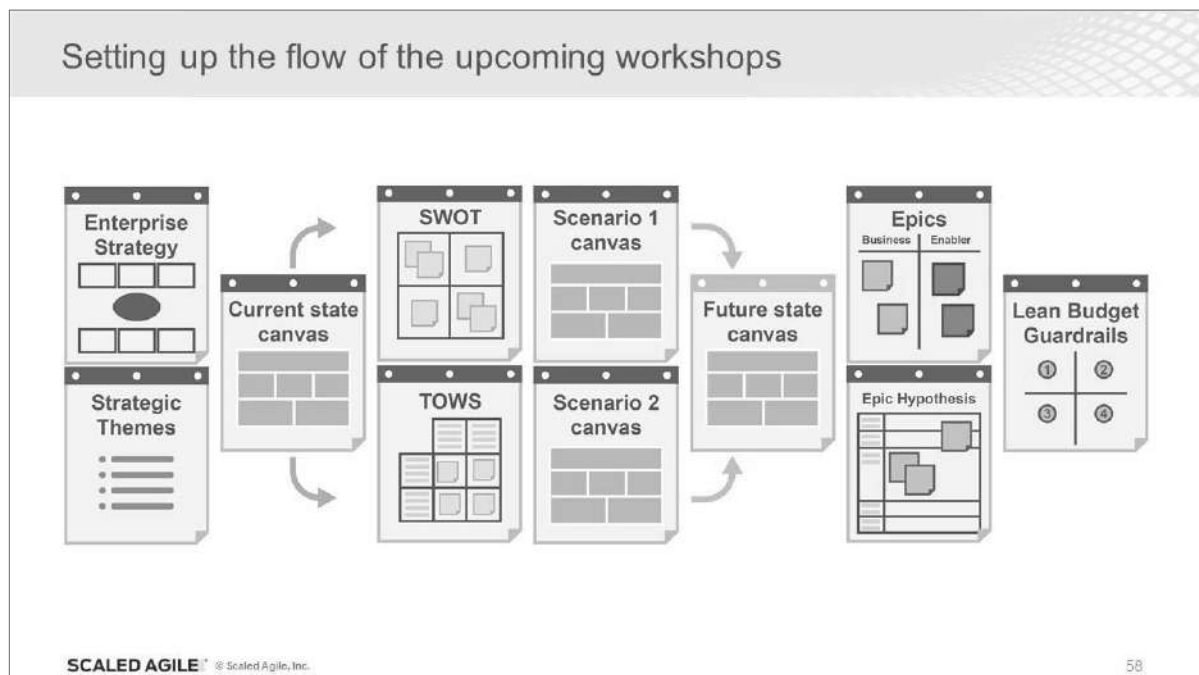
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Notes:

## 2.1 Connect the portfolio to Enterprise strategy



Notes:



Notes:

## 2.1 Connect the portfolio to Enterprise strategy

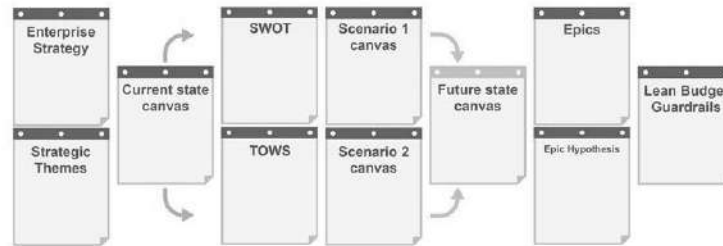


### Activity: Set up your LPM team area

Duration




- **Step 1:** Choose a name for your LPM team.
- **Step 2:** Set up your team area by placing 9 flip chart sheets as shown below. Only write the headings for each flip chart.



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## 2.1 Connect the portfolio to Enterprise strategy




Workshop: Enterprise strategy

Prepare  
10 min

Share  
5 min

- **Step 1:** Following the instructions in your handouts, briefly describe as many elements of the Enterprise strategy as you can
- **Step 2:** Be prepared to share with the class



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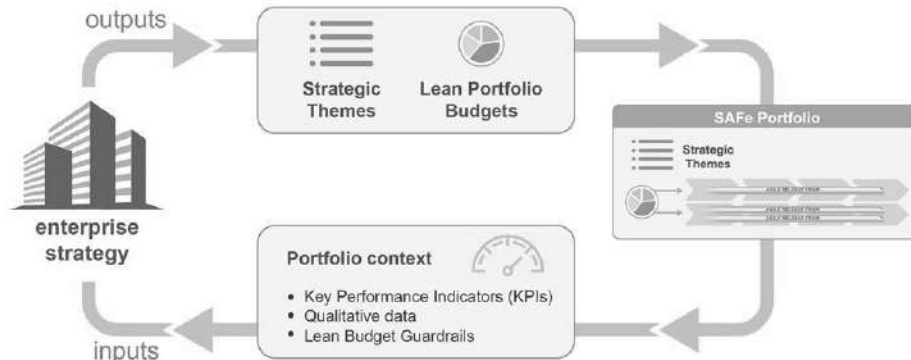
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Notes:

## 2.1 Connect the portfolio to Enterprise strategy

### Strategy preparation is a bi-directional process

Strategic Themes and Lean Budgets are outputs of Enterprise strategy formulation.



The Portfolio context is an input to the evolving Enterprise strategy.

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Notes:

### Connect the portfolio to the Enterprise with Strategic Themes

Strategic Themes are differentiating business objectives that:

- ▶ Drive the future state of a portfolio
- ▶ Connect the Portfolio to the Enterprise Strategy
- ▶ Provide context for the Portfolio Vision and Lean Budgeting

Good examples of Strategic Themes	Bad examples of Strategic Themes
(Retail eCommerce): <ul style="list-style-type: none"><li>• Appeal to a younger demographic (18 – 29)</li><li>• Reduce warehousing costs by 35%</li></ul>	<ul style="list-style-type: none"><li>• Increase shareholder wealth</li><li>• Maximize corporate value</li></ul>

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Notes:

## 2.1 Connect the portfolio to Enterprise strategy

### Describe Strategic Themes with objectives and key results (OKRs)

- *Objectives* – represents the Strategic Themes (differentiating business objectives) that drives the future state of a portfolio.
- *Key results* – must be measurable. Two to five key results per Strategic Theme is recommended.

Objectives (Strategic Themes)	Key Results
Improve customer satisfaction	Improve Net Promoter Score (NPS) by 30%
	Reduce average Feature cycle time by 40%
	Reduce production defects by 50%

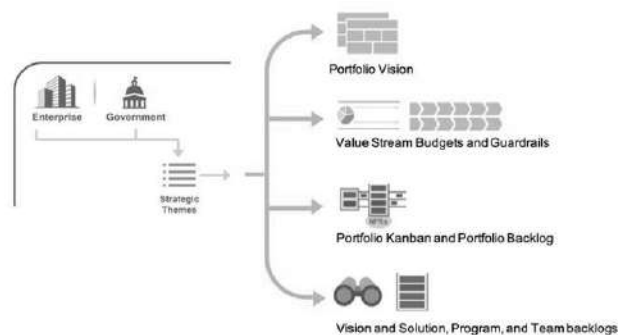
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Notes:

### Influence of Strategic Themes

Strategic Themes influence portfolio strategy and provide business context for portfolio decision-making.




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Notes:



## 2.1 Connect the portfolio to Enterprise strategy




Workshop: Establish Strategic Themes

Prepare  
10 min

Share  
5 min

- **Step 1:** Following the instructions in your handouts, identify a few Strategic Themes and write them with OKRs
- **Step 2:** Be prepared to share with the class



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Notes:

## 2.2 Maintain the Portfolio Vision

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Notes:

### Maintaining the Portfolio Vision with the portfolio canvas

- ▶ Defines the domain of the portfolio
- ▶ Describes the development Value Streams
- ▶ Represents a key input in developing and maintaining the Portfolio Vision

**Portfolio Canvas** Portfolio Name: \_\_\_\_\_ Date: \_\_\_\_\_ Version: \_\_\_\_\_

Value Propositions						
Value Streams	Solutions	Customers	Channels	Customer Relationships	Budget	KPIs / Metrics

Key Partners	Key Activities	Key Resources

Cost Structure	Revenue Streams

The Portfolio Canvas is adapted from: The Business Model Canvas © (http://www.businessmodelgeneration.com).  
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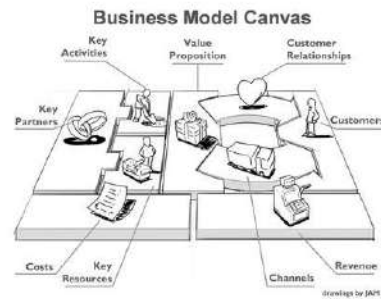
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Notes:

### The Portfolio Canvas is an adaptation of the BMC


- ▶ Documents business models of existing or new products
- ▶ Aligns business and technology to a common language
- ▶ Provides a shared language to describe and visualize the current and future business model



There is a large body of knowledge about how to use the Business Model Canvas. You can refer to: Osterwalder, Alexander; Pigneur, Yves. *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* Wiley. Kindle Edition

Notes:

## 2.2 Maintain the Portfolio Vision




Workshop: Capture the current state of the portfolio

Prepare  
20 min

Share  
10 min

- **Step 1:** Following the instructions in your handouts, define and capture the current state of the portfolio
- **Step 2:** Be prepared to share with the class



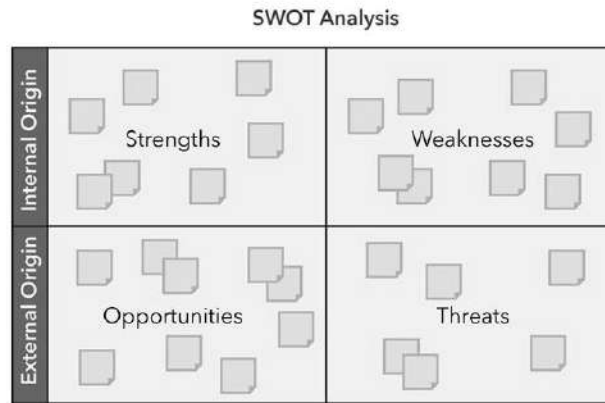
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Notes:

### Identify opportunities for the portfolio's future state with SWOT

- Establishes an understanding of your organization's strengths and weaknesses
- Identifies the most significant opportunities and potential threats



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Notes:

### TOWS strategic options matrix

- While the SWOT and TOWS methods are both concerned with strengths, weaknesses, opportunities, and threats—the key difference between them are the outcomes that they create
- TOWS is used primarily for identifying strategic options to create a better future state


**TOWS Strategic Options Matrix**

	<div>External Opportunities (O)</div> <div>1. <input type="text"/></div> <div>2. <input type="text"/></div> <div>3. <input type="text"/></div> <div>4. <input type="text"/></div>		<div>External Threats (T)</div> <div>1. <input type="text"/></div> <div>2. <input type="text"/></div> <div>3. <input type="text"/></div> <div>4. <input type="text"/></div>	
<b>Internal Strength (S)</b>	<b>SO</b>		<b>ST</b>	
	<div>1. <input type="text"/></div> <div>2. <input type="text"/></div> <div>3. <input type="text"/></div> <div>4. <input type="text"/></div>		<div>How can your strengths be used to exploit and maximize opportunities?</div> <div>How can you apply your strengths to overcome present and potential threats?</div>	
	<b>WO</b>		<b>WT</b>	
	<div>1. <input type="text"/></div> <div>2. <input type="text"/></div> <div>3. <input type="text"/></div> <div>4. <input type="text"/></div>		<div>How can your opportunities be leveraged to overcome weaknesses?</div> <div>How can you minimize weaknesses and avoid threats?</div>	

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Notes:




Workshop: Identify significant opportunities with SWOT and TOWS

Share  
15 min

Prepare  
5 min

- ▶ **Step 1:** Following the instructions in your handouts, perform a SWOT analysis for the portfolio.
- ▶ **Step 2:** Use the SWOT analysis to fill in the outer boxes of the TOWS strategic options matrix. Use the questions in the inner boxes to create strategic options for advancing the portfolio.
- ▶ **Step 3:** Be prepared to share with the class.



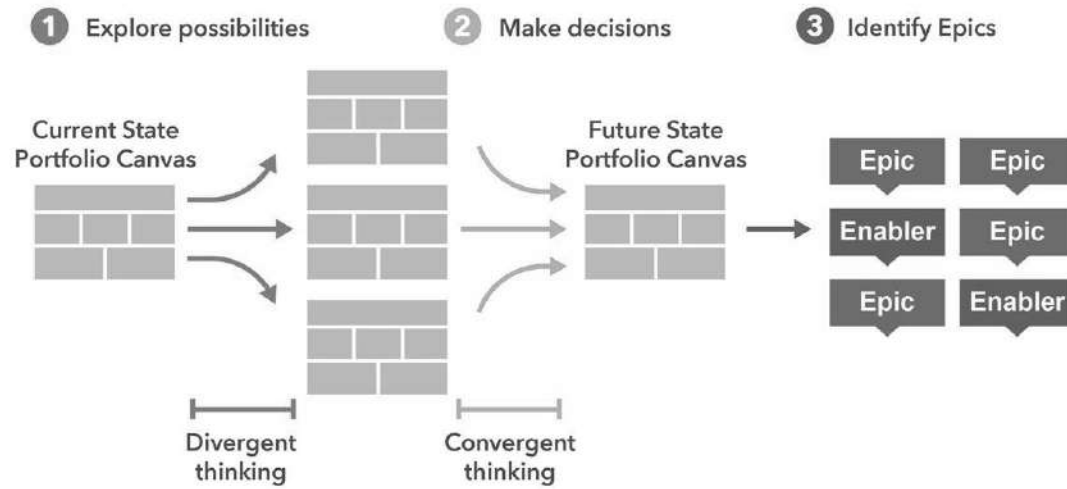
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Notes:

## 2.2 Maintain the Portfolio Vision

### Envision the future state of the portfolio



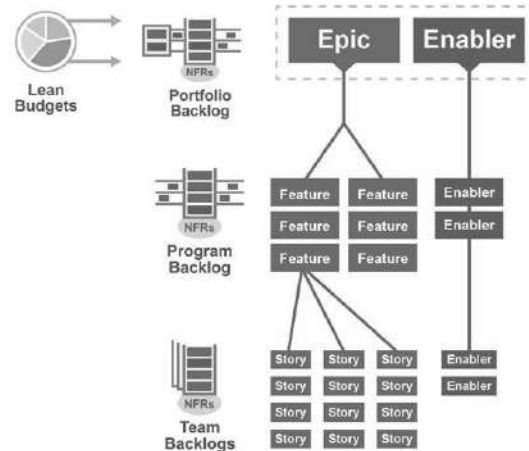
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Notes:

### What is a Portfolio Epic?

- ▶ A large initiative that requires analysis, the definition of a minimum viable product (MVP), and financial approval before implementation
- ▶ Requires an Epic Owner to guide them through the Portfolio Kanban and collaboratively create a Lean business case
- ▶ Typically crosses Value Streams and takes multiple PIs and ARTs to develop
- ▶ There are two types of Epics
  - Business Epics are customer-facing
  - Enabler Epics enable Solutions to address business needs



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Notes:

### Epics are not projects


Projects	≠	Epics
Implemented by temporary teams which disband after work is completed		Implemented by stable, cross-functional Value Streams and ARTs
Definitive start and end date; Scope is fixed. All scope must be implemented		No definitive start and end date; Scope is variable. Continue until WSJF says otherwise
Progress is measured based on task completion		Progress is measured as outcomes against the benefit hypothesis
Overly detailed business case, based on speculative ROI		Lean business case, based on benefit hypothesis and definition of an MVP
Implementation typically follows phase-gated, sequential (waterfall) process		Implementation follows the Lean startup build-measure-learn cycle
After business case is approved, up-front commitment is made to the entire project scope		After Lean business case is approved, commitment is to the evaluation of the MVP

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Notes:






### Workshop: Explore possibilities for future states

Prepare  
20 min

Share  
10 min

- ▶ **Step 1:** Following the instructions in your handouts, brainstorm several different future state canvases.
- ▶ **Step 2:** Choose the optimal future state canvas. The best canvas may be a blend of the ideas from the different canvases.
- ▶ **Step 3:** Identify a few Business or Enabler Epics required to achieve the future state.
- ▶ **Step 4:** Be prepared to share with the class.



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Notes:

### Epics are described with the Epic hypothesis statement


- ▶ Captures, organizes, and communicates critical information about an Epic
- ▶ Contains four major fields:
  - Epic description
  - Business outcomes hypothesis
  - Leading indicators
  - Nonfunctional requirements (NFRs)

Epic Hypothesis Statement	
<b>Funnel Entry Date:</b>	<The date that the epic entered the funnel.>
<b>Epic Name:</b>	<A short name for the epic.>
<b>Epic Owner:</b>	<The name of the epic owner.>
<b>Epic Description:</b>	<An elevator pitch (value statement) that describes the epic in a clear and concise way.>  <b>For</b> <customers> <b>who</b> <do something> <b>the</b> <solution> <b>is a</b> <something - the 'how'> <b>that</b> <provides this value> <b>unlike</b> <competitor, current solution or non-existing solution> <b>our solution</b> <does something better - the 'why'>
<b>Business Outcomes:</b>	<The measurable benefits that the business can anticipate if the epic hypothesis is proven to be correct.>
<b>Leading Indicators:</b>	<The early measures that will help predict the business outcome hypothesis. For more on this topic, see the Innovation Accounting advanced topic article.>
<b>Nonfunctional Requirements (NFRs):</b>	<Nonfunctional requirements (NFRs) associated with the epic.>

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Notes:




Workshop: Describe Portfolio Epics

Prepare  
5 min

Share  
5 min

- **Step 1:** Following the instructions in your handouts, describe one or more Epics you identified earlier
- **Step 2:** Be prepared to share with the class



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Notes:

Epics are analyzed and approved using the Lean business case

- ▶ Captures the results from the analysis of a Portfolio Epic
- ▶ Serves as the basis for making a go/no-go decision for a Portfolio Epic

## Lean Business Case Template

[illegible]

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Notes:



### Discussion: Adapting the Lean business case template

Prepare



Share



- **Step 1:** Review the Lean business case template in your workbook
- **Step 2:** Discuss as a team:
  - What are some of the main attributes of the Lean business case?
  - How would you adapt the Lean business case template to better fit your business context?
  - Identify anything in the Lean business case that you don't understand
- **Step 3:** Be prepared to share with the class

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Notes:

### 2.3 Establish Lean Budgets and Guardrails for the portfolio's Value Streams

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Notes:

Value Stream funding comes from the total portfolio budget

- ▶ The Enterprise provides the total budget for the portfolio
- ▶ The portfolio allocates the budget for each Value Stream
- ▶ Value Stream budgets are supported by Guardrails that define the spending policies, guidelines, and practices for a specific portfolio



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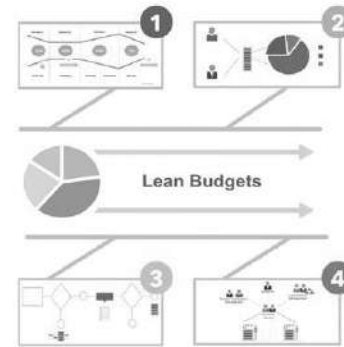
Notes:

### Establish Lean Budget Guardrails to maintain strategic alignment

Guardrails help balance near-term opportunities with long-term strategy, ensuring that large investments are approved, and that investments in technology, infrastructure, and maintenance aren't routinely ignored.

#### There are four Lean Budget Guardrails

- 1 Guide investments by horizons
- 2 Apply capacity allocation to optimize value and solution integrity
- 3 Approve significant initiatives
- 4 Continuous business owner engagement



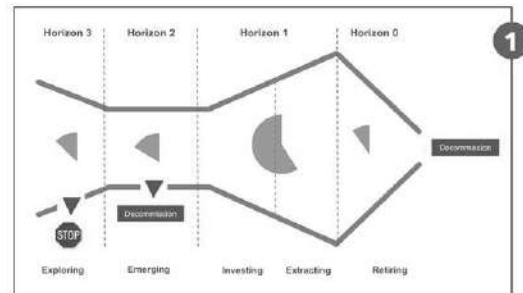
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Notes:

### Guide investments by horizon

- ▶ *Horizon 3* (Exploring): Investment for new potential solution
- ▶ *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>

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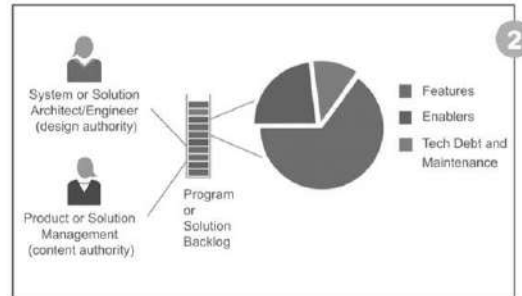
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Notes:

## 2.3 Establish Lean Budgets and Guardrails for the portfolio's Value Streams

### Apply capacity allocation

- ▶ Determine what percentage of the ARTs total capacity can be allocated for new features, enablers, and technical debt for an upcoming PI
- ▶ Each Value Stream should develop explicit policies for managing capacity allocation
- ▶ The amount of capacity allocated will change periodically based on the context



Example capacity allocation categories: Adapt these categories or add new ones as needed.

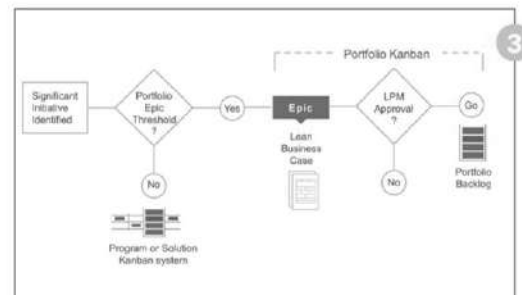
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Notes:

### Approve significant investments

- ▶ Each significant initiative is tested against the portfolio Epic threshold, which is established by LPM
- ▶ Below threshold: Epic goes into the funnel of the appropriate program or Solution Kanban systems
- ▶ Above threshold: Epic enters the Portfolio Kanban system for review and approval
- ▶ All Epics require a Lean business case



The portfolio Epic threshold is defined by the LPM function to determine which Epics are a portfolio concern. Examples include forecasted cost, number of PIs, strategic importance to the portfolio, or a combination of these.

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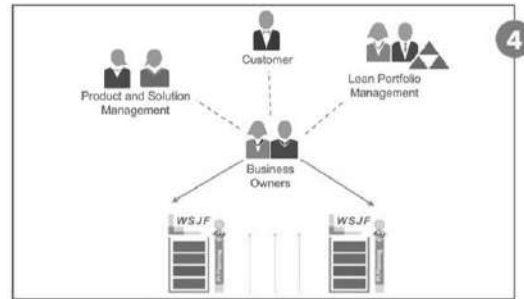
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Notes:



### Continuous Business Owner engagement


- ▶ Business Owners ensure that the priorities of the ARTs and Solution Trains are in alignment with the portfolio
- ▶ Verify that investments are spent on the right things at the right time
- ▶ Business Owners actively engage by:
  - Communicating the Portfolio Vision
  - Assisting in the preparation for the upcoming PI
  - Attending PI Planning
  - Attending Inspect and Adapt



Business Owners are a small group of stakeholders who have the primary business and technical responsibility for governance, compliance, and return on investment for the ART's solution

Notes:

## 2.3 Establish Lean Budgets and Guardrails for the portfolio's Value Streams




Workshop: Establishing Lean Budget Guardrails

Prepare  
10 min

Share  
5 min

- **Step 1:** Following the instructions in your handouts, determine how each Guardrail would be established
- **Step 2:** Be prepared to share with the class



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Notes:

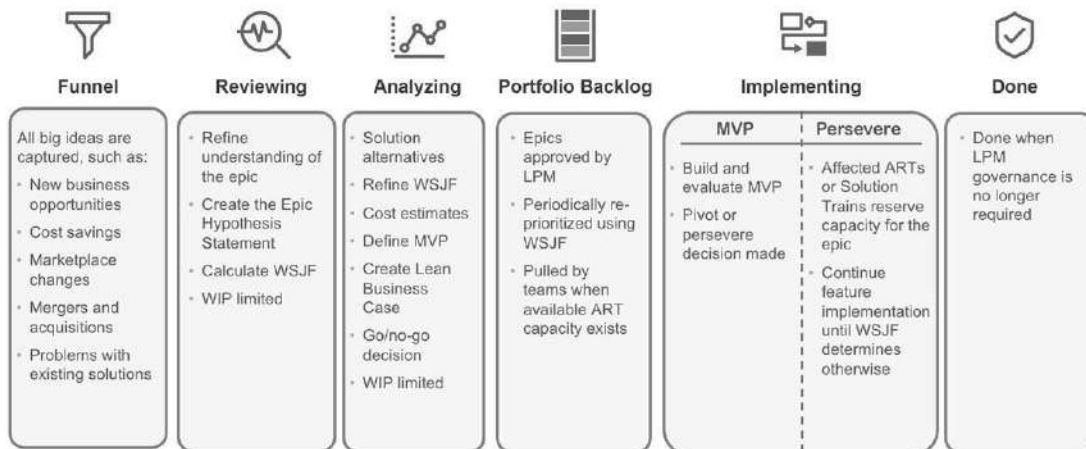
## 2.4 Establish flow with the Portfolio Kanban

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Notes:

### Portfolio Kanban overview



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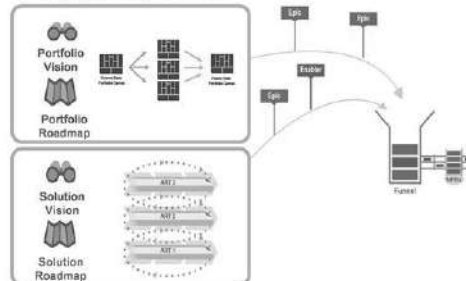
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Notes:

### Funnel

- ▶ All big ideas are welcomed:
  - New business opportunities
  - Cost savings
  - Problems with existing solutions
  - Marketplace changes
  - Mergers and acquisitions
- ▶ Only potential Epics should go in this funnel. It is not a central intake for all work.

The Portfolio Vision, Roadmap and future state Portfolio



The Continuous Exploration Process

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Notes:

### Reviewing

Epics that meet the Epic threshold criteria are pulled into the reviewing state when WIP limits permit

- ▶ Epic hypothesis statement
- ▶ Refine understanding
- ▶ Calculate WSJF to prioritize Epics
- ▶ WIP limited

Epic Hypothesis Statement	
<b>Funnel Entry Date:</b>	<The date that the epic entered the funnel.>
<b>Epic Name:</b>	<A short name for the epic.>
<b>Epic Owner:</b>	<The name of the epic owner.>
<b>Epic Description:</b>	<An elevator pitch (value statement) that describes the epic in a clear and concise way>  For <customers> <b>who</b> <do something> <b>the</b> <solution> <b>is a</b> <something - the 'how'> <b>that</b> <provides this value> <b>unlike</b> <competitor, current solution or non-existing solution> <b>our solution</b> <does something better - the 'why'>
<b>Business Outcomes:</b>	<The measurable benefits that the business can anticipate if the epic hypothesis is proven to be correct.>
<b>Leading Indicators:</b>	<The early measures that will help predict the business outcome hypothesis. For more on this topic, see the Innovation Accounting advanced topic article.>
<b>Nonfunctional Requirements (NFRs):</b>	<Nonfunctional requirements (NFRs) associated with the epic.>

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Notes:

### Analyzing

Epics in this state need more rigorous analysis and investment.

- ▶ Epic Owner establishes collaboration for analysis
- ▶ Identify and review Solution alternatives
- ▶ Define MVP
- ▶ Cost estimates for MVP and entire Epic
- ▶ Create Lean business case for each Epic
- ▶ Calculate WSJF
- ▶ Go/no-go decision by LPM fiduciaries based on Lean business case



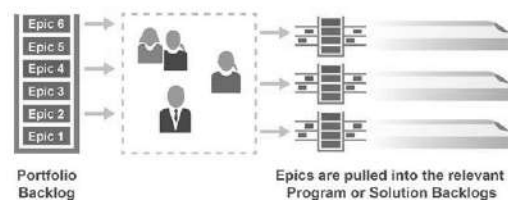
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Notes:

### Portfolio Backlog

- ▶ Maintains Epics that have been approved by LPM
- ▶ Epics are reviewed and prioritized on a periodic basis using WSJF
- ▶ Epics are pulled into the relevant Program or Solution Backlogs and then implemented when one or more ARTs have capacity



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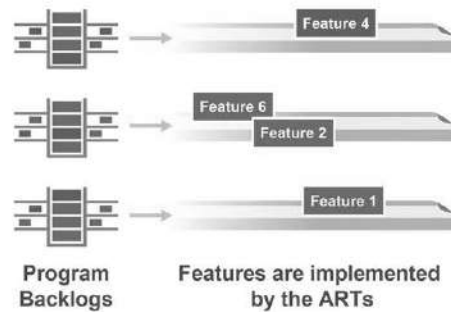
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Notes:

## 2.4 Establish flow with the Portfolio Kanban

### Implementing

- ▶ Features or Capabilities from the Epics are planned at PI boundaries or sooner (if capacity exists in current PI)
- ▶ ARTs begin implementation following the delivery strategy identified in the Lean business case
- ▶ Epic tracking continues



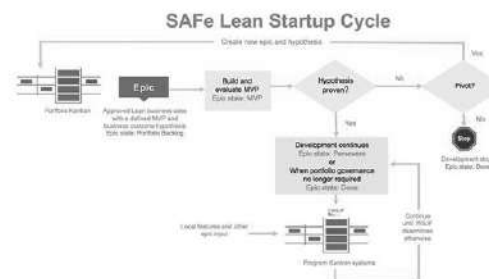
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Notes:

### Done

- ▶ The Epic is considered done when:
  - The business outcome hypothesis is proven false
  - The hypothesis is proven true, but LPM has determined that additional portfolio governance is no longer required



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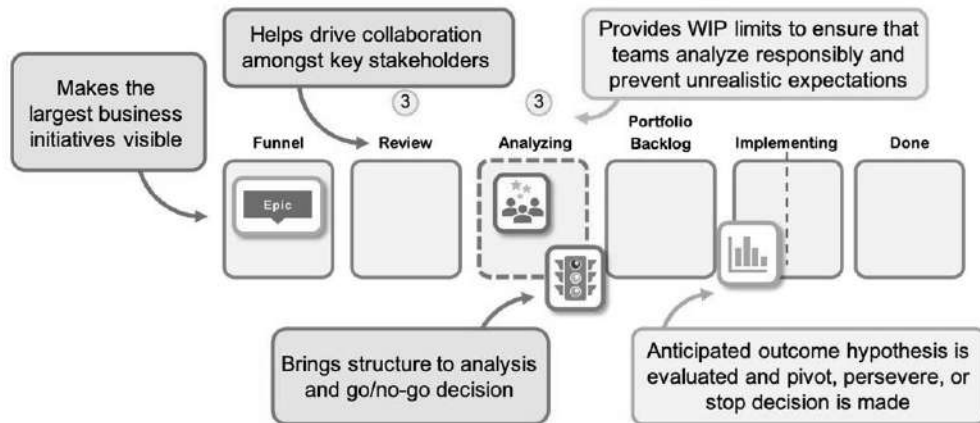
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Notes:

## 2.4 Establish flow with the Portfolio Kanban

### Portfolio Kanban benefits

Provides a transparent and quantitative basis for economic decision-making




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Notes:

## 2.4 Establish flow with the Portfolio Kanban



Discussion: Evolving the Portfolio Kanban design



Prepare  
5 min

Share  
5 min

► **Step 1:** Apply some of the SAFe Principles to maximize the benefits of the Portfolio Kanban, discuss:

- Which SAFe Principles would you consider fundamental for improving the flow of work in the Portfolio Kanban system?
- Considering the evolutionary nature of the Portfolio Kanban system, how would you evolve its design in your own context?

► **Step 2:** Be prepared to share with the class



SAFe Principles

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Notes:



## Lesson review

In this lesson you:

- ▶ Connected the portfolio to Enterprise Strategy
- ▶ Explored how to maintain Portfolio Vision
- ▶ Described how to establish Lean Budgets and Guardrails for the portfolio's Value Streams
- ▶ Established flow with the Portfolio Kanban

Notes:



## Lesson 3

# Applying Agile Portfolio Operations

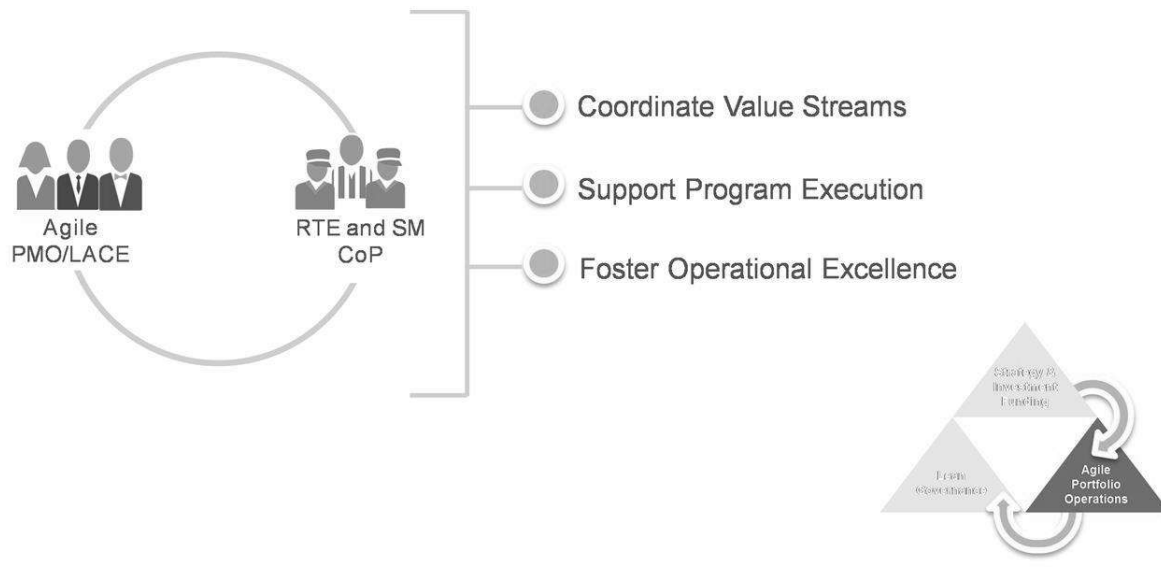
### Learning Objectives:

- 3.1 Coordinate Value Streams
- 3.2 Support program execution and operational excellence
- 3.3 Foster Agile contracts



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.

## Agile portfolio operations: Collaboration and responsibilities



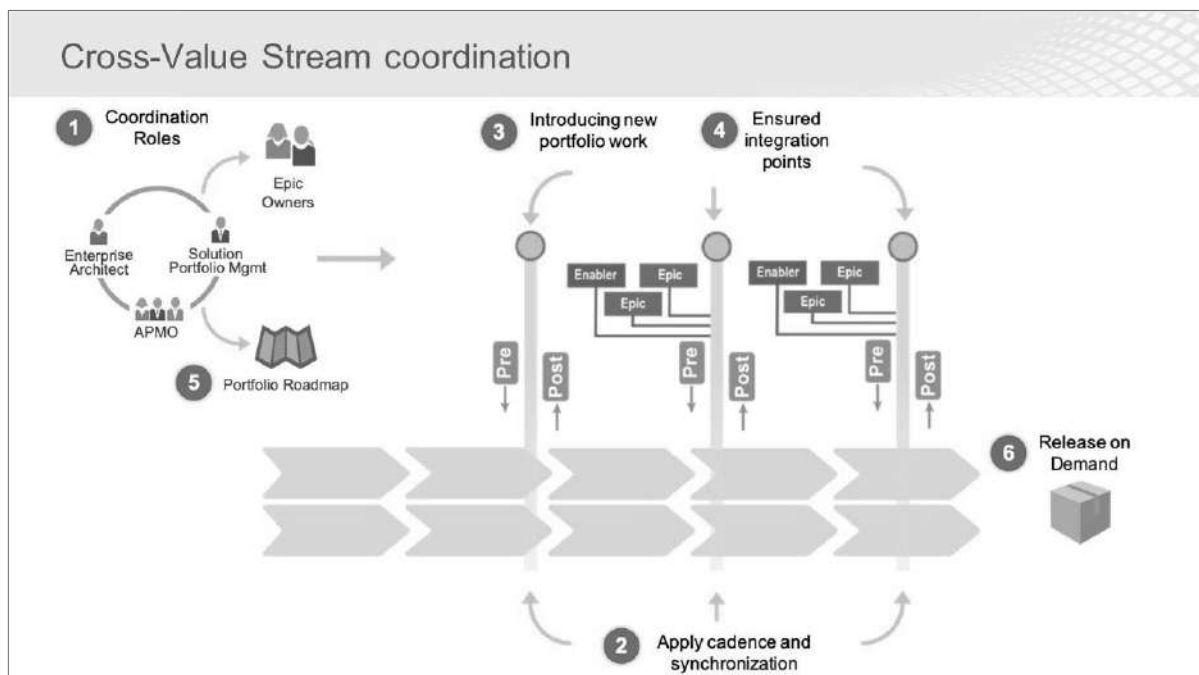
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### 3.1 Coordinate Value Streams

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Notes:

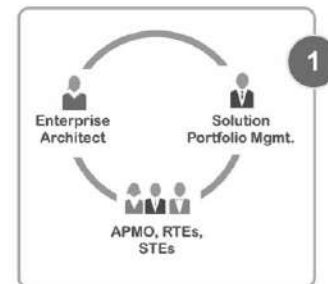


Notes:

## 3.1 Coordinate Value Streams

### Coordination roles and responsibilities

- ▶ Solution Portfolio Management guides a portfolio to a set of integrated Solutions
- ▶ Enterprise Architect provides technical guidance for the long-term evolution of technologies and platforms and larger nonfunctional requirements (e.g., security, compliance, performance)
- ▶ Agile Program Management Office along with RTEs and STEs
- ▶ Supports efficient, decentralized program execution



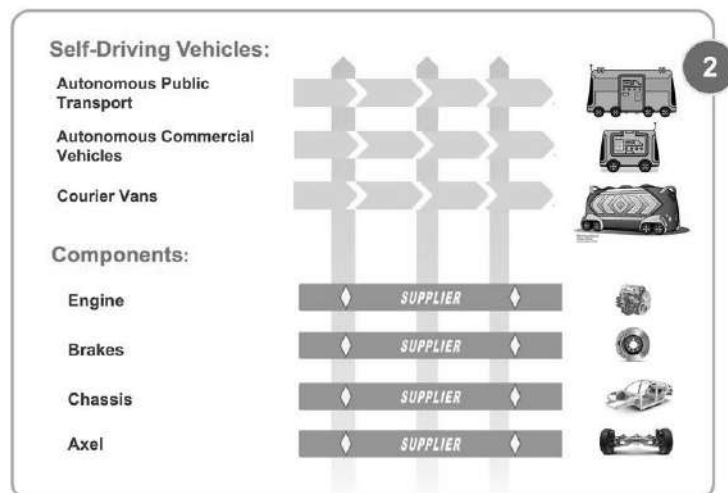
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Notes:

### Apply cadence and synchronization

- ▶ Ideally, align all Value Streams to a common cadence
- ▶ Support large-scale continuous integration with internal and external Suppliers
- ▶ Treat Suppliers as Value Streams (or ARTs, where applicable)



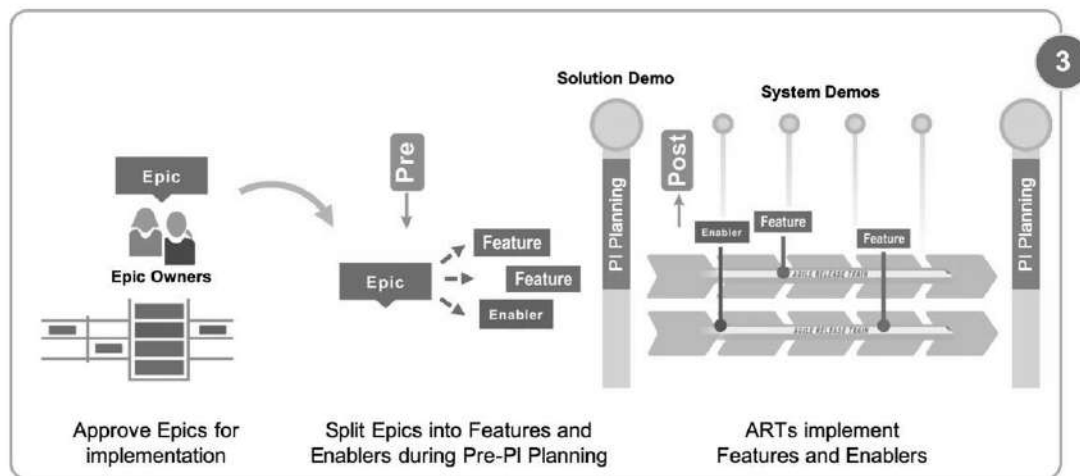
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Notes:

## 3.1 Coordinate Value Streams

### Introducing new portfolio work

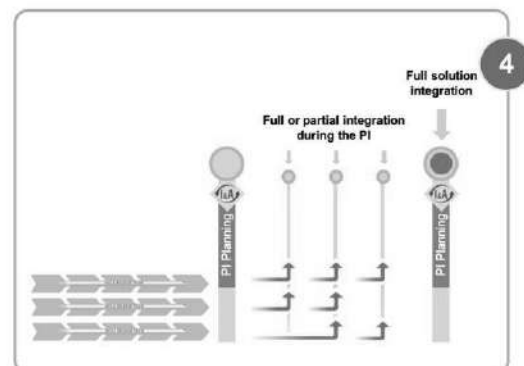


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Notes:

### Ensured integration points

- ▶ Frequent integration and testing provides fast feedback
- ▶ Do not let small changes sit idle; find a way to integrate with other changes
- ▶ Economic trade-offs are inevitable in terms of:
  - Frequency of integration
  - Depth of integration
  - Fidelity of feedback



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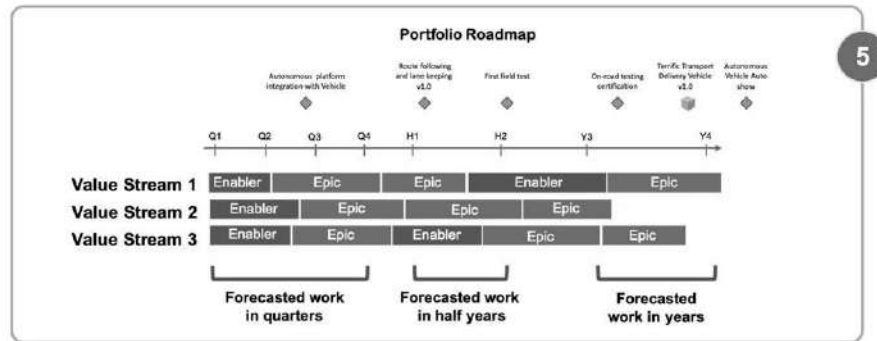
106

Notes:

## 3.1 Coordinate Value Streams

Portfolio Roadmap provides a larger view to Enterprise stakeholders

The Portfolio Roadmap integrates various aspects of the lower-level Roadmaps into a more comprehensive view, which communicates the larger picture to the Enterprise stakeholders.

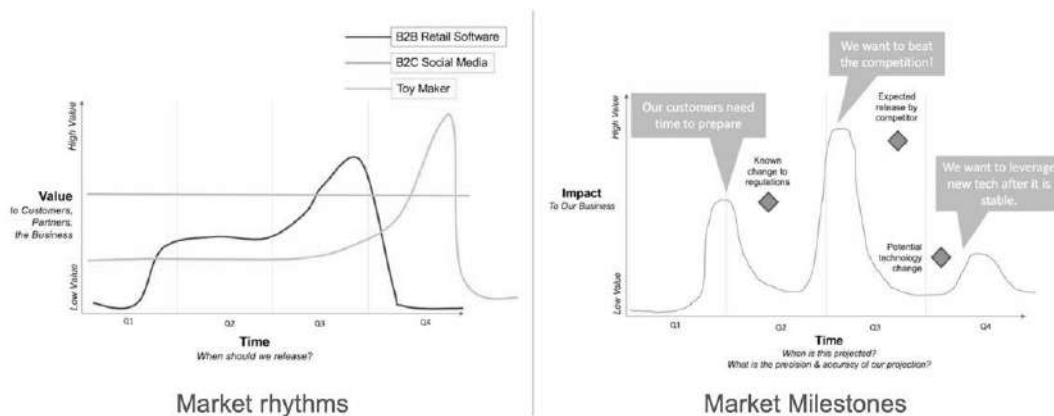


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Notes:

Market rhythms and Milestones influence the Portfolio Roadmap



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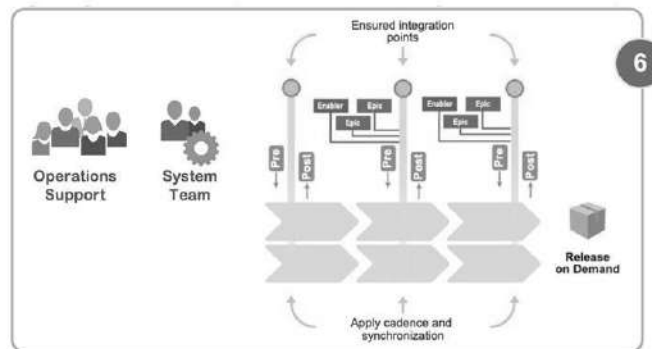
108

Notes:



### Deploying and releasing portfolio work


- ▶ Sometimes a System Team dedicated to integrating work across the Value Streams is needed to help implement a portfolio-level release.
- ▶ Deploying integrated value depends on effective system-level DevOps capabilities



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Notes:



Discussion: Releasing value across the portfolio

Prepare  
5 min

Share  
3 min

- ▶ **Step 1:** Discuss as team:
  - What are the portfolio considerations for releasing value?
  - Do you need additional roles for coordination?
  - What parts of the portfolio would be on the same cadence?
  - How do you support independent but aligned releases?
- ▶ **Step 2:** Be prepared to share with the class

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Notes:

### 3.2 Support program execution and operational excellence

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Notes:

#### The APMO supports portfolio operations and program execution

- ▶ Facilitates the portfolio sync
- ▶ Works with the LACE to develop, harvest, and apply successful program execution patterns across the portfolio
- ▶ Facilitates Lean budgeting and coordinates portfolio governance
- ▶ Fosters decentralized PI Planning and operational excellence
- ▶ Fosters more Agile contracts and Leaner Supplier and Customer partnerships



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Notes:

### APMO supports the SAFe transformation

- ▶ Sponsors and communicates the change Vision
- ▶ Participates in the SAFe rollout
- ▶ Leads the move to objective Milestones and reporting
- ▶ Leads process excellence and supports RTEs (and STEs) and Scrum Master CoPs



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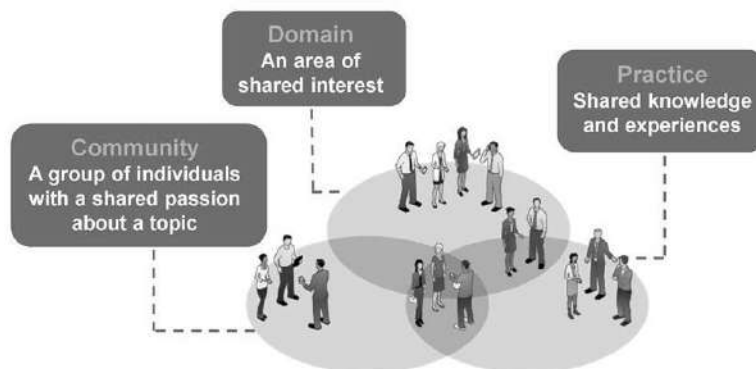
113

Notes:

### Drive operational excellence with communities of practice

*Communities of practice are groups of people who share a common concern or a passion for something they do and learn how to do it better as they interact regularly.*

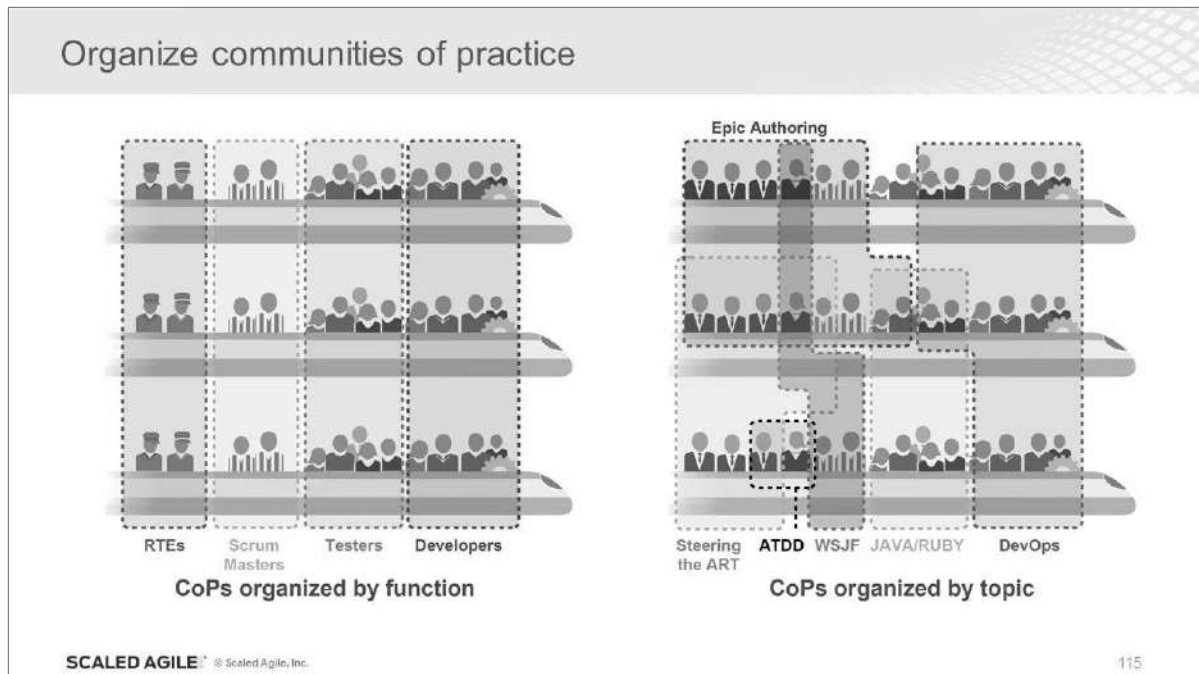
— Étienne Wenger, *Communities of Practice: Learning, Meaning, and Identity*



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Notes:



Notes:



### Discussion: Support program execution and operational excellence

Prepare



Share



- **Step 1:** As a team, discuss the following:
  - Why is it important to fund the LACE and the Agile PMO?
  - What are some of the current ways to drive operational excellence and support program execution across the portfolio?
  - What are some common program measures or standard reporting?
- **Step 2:** Be prepared to share with the class



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Notes:

### The function of the Lean-Agile Center of Excellence (LACE)

- ▶ Communicates the business need
- ▶ Integrates SAFe practices
- ▶ Fosters communities of practice
- ▶ Creates alignment around organizational changes
- ▶ Provides coaching and training to ART stakeholders and teams
- ▶ Establishes objective Metrics
- ▶ Facilitates Value Stream Identification Workshops



The LACE operates as an Agile Team

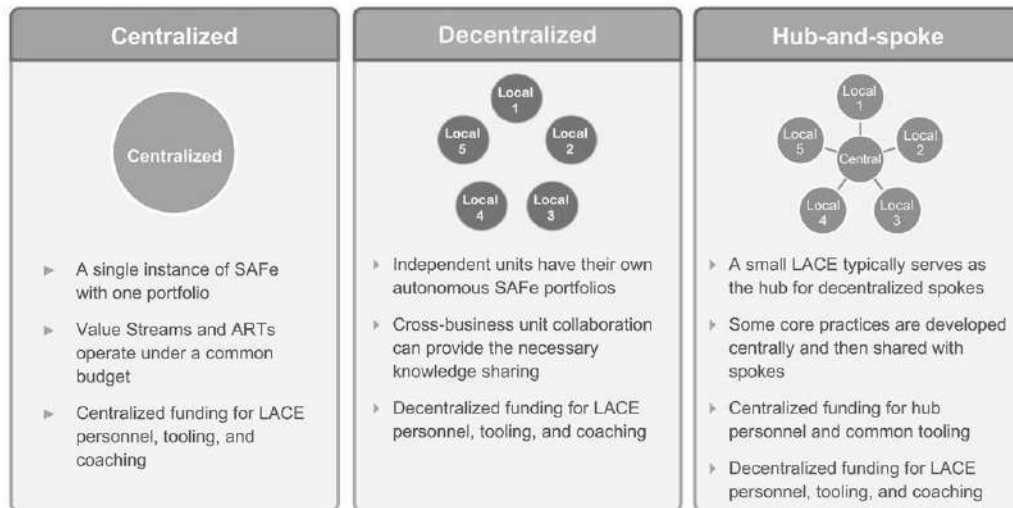
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Notes:

### LACE Operating Models

#### LACE Operating Models



Notes:



Activity: Capture the LACE vs the Agile PMO


Prepare  
5 min

Share  
3 min

► **Step 1:** Using a flip chart sheet and sticky notes and considering the responsibilities of the LACE and the Agile PMO, identify:

- What are the key differences between the LACE and Agile PMO?
- What are the pros and cons of having an Agile PMO?
- Would your organization have both a LACE and an Agile PMO?

► **Step 2:** Be prepared to share with the class



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Notes:



### Support operational excellence with a portfolio sync

**Frequency**

Monthly portfolio sync meeting (or more frequently)

**Facilitation**

APMO or other stakeholders

**Purpose**

Gaining visibility into how well the portfolio is progressing towards its strategic objectives

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Notes:

### The purpose of the portfolio sync

Gain visibility into how well the portfolio is progressing toward meeting its strategic objectives.

Strategy & Investment Funding	Agile Portfolio Operations	Lean Governance
<ul style="list-style-type: none"><li>▶ Review the results of MVPs and determine whether to pivot, preserve, or stop</li><li>▶ Review the portfolio Kanban and Lean business cases and approve and prioritize Epics</li><li>▶ Maintain the Portfolio Vision and canvas</li></ul>	<ul style="list-style-type: none"><li>▶ Remove impediments across Value Streams</li><li>▶ Review the progress of continuous improvement efforts to support operational excellence</li></ul>	<ul style="list-style-type: none"><li>▶ Review and adjust Value Stream funding</li><li>▶ Review investments by Guardrails</li><li>▶ Review LPM and Value Stream Metrics</li><li>▶ Review compliance concerns</li></ul>

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Notes:

### Define the agenda and calendar for the portfolio sync

**Portfolio Sync Agenda**  
Example Topics


- Portfolio Kanban review
- Lean business case review and approval
- Portfolio Vision and portfolio canvas review and update
- Review MVPs for portfolio Epics
- Summary of decisions
- Questions/discussions

Note: The agenda topics should rotate to meet the needs of the business.

#### Portfolio sync example calendar

						Participatory Budgeting
January	February	March	April	May	June	◆
Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	
		Strategic Portfolio Review			Strategic Portfolio Review	
						Participatory Budgeting
July	August	September	October	November	December	◆
Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	Portfolio Sync	
		Strategic Portfolio Review			Strategic Portfolio Review	

Notes:



Activity: Creating a portfolio sync agenda


Prepare

7 min

Share

3 min

- ▶ **Step 1:** Considering the portfolio sync activities, discuss the following as a team:
  - How do you currently gain visibility into the portfolio's progress towards its strategic objectives?
  - Who should attend the portfolio sync and how often should they meet?
- ▶ **Step 2:** Using a flip chart sheet, create a sample agenda for a portfolio sync meeting:
  - What might your rotating agenda look like?
- ▶ **Step 3:** Be prepared to present your agenda to the class



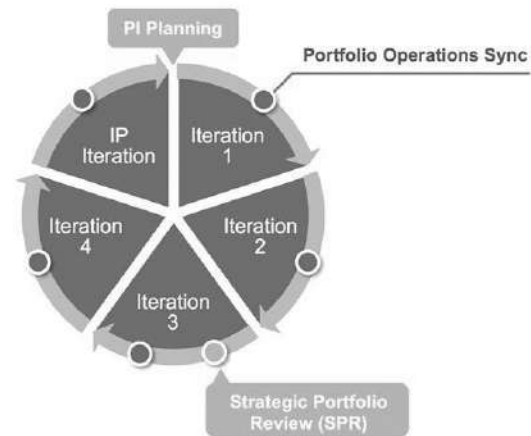
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Notes:

### Another pattern for the portfolio sync

- ▶ Some Customers find that a more frequent cadence (once per Iteration) of portfolio syncs is required
- ▶ The audience for the regular portfolio sync and the one including the strategic portfolio review are usually different
- ▶ The strategic portfolio review can be held more or less frequently depending upon the business needs



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Notes:

### 3.3 Foster Agile contracts

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Notes:

#### Traditional vs Agile contracting

##### Traditional contracting



- The requirements are defined up front, and changes are strictly controlled
- Typically have large, infrequent releases
- Based on a foundation of compliance

##### Agile contracting



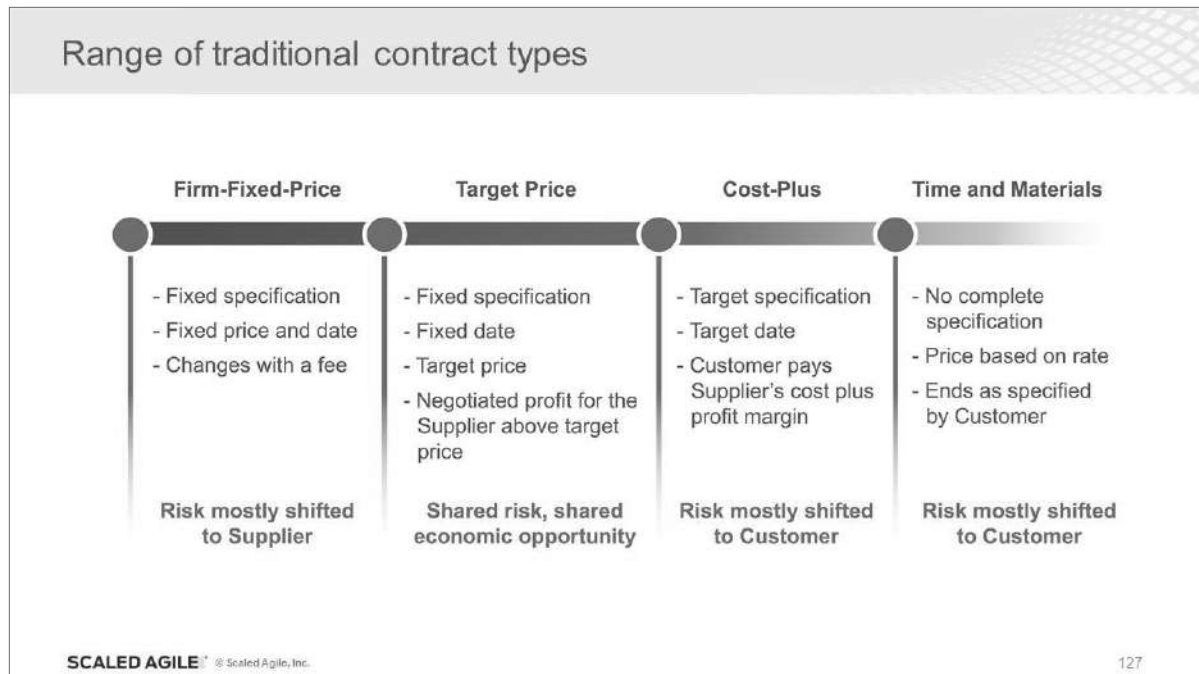
- The requirements change frequently to adjust for validated learning
- Provide frequent delivery of value each Iteration and Program Increment
- Depends on a foundation of trust and transparency

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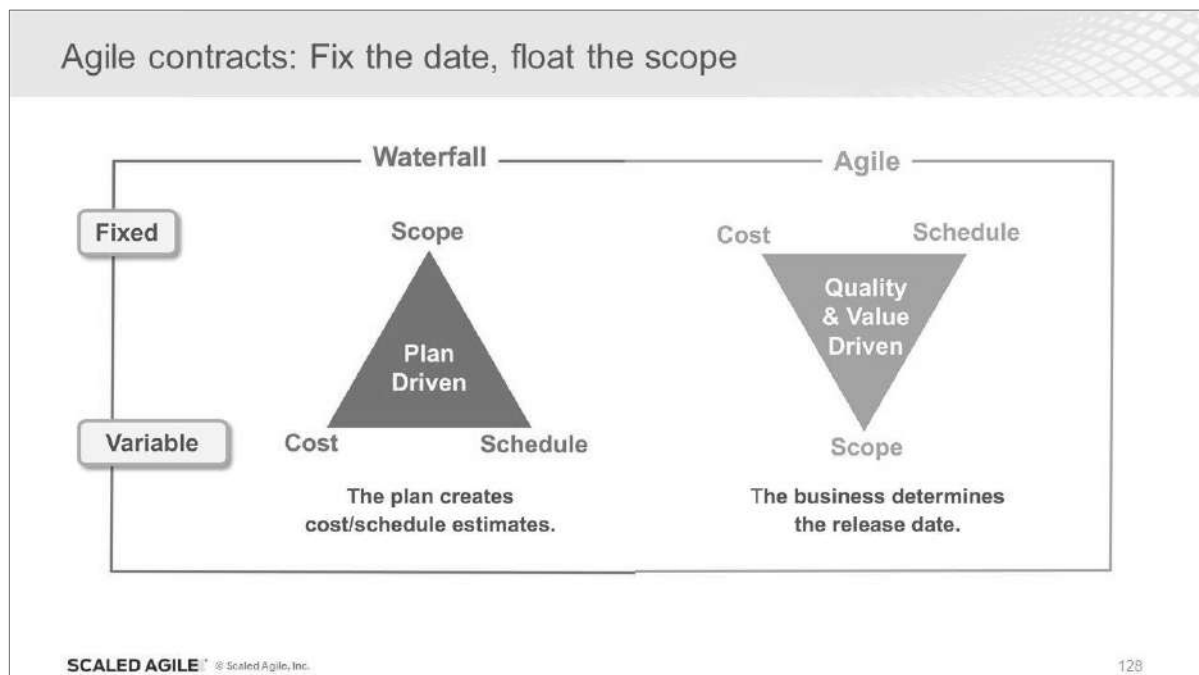
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Notes:

### 3.3 Foster Agile contracts



Notes:



Notes:

#### Optimizing economic value with Agile contracts

- ▶ Seek a win-win approach that balances short- and long-term economic outcomes for both parties
- ▶ Spell out guidelines that prescribe adaptive responses to changing requirements
- ▶ Provide incentives for both the buyer and the Suppliers to collaborate towards the best Solution possible



- All parties share in the benefits if the intended value is delivered sooner or at a lower cost
- All parties share in the pain of delays and cost overruns

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Notes:



Video: The SAFe Managed-Investment Contract





<http://bit.ly/33OvhuY>

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Notes:

## Lesson review

In this lesson, you:

- ▶ Explored how to coordinate Value Streams
- ▶ Explained how to support program execution and drive operational excellence
- ▶ Discussed fostering Agile contracts

Notes:



## Lesson 4

# Applying Lean Governance

### Learning Objectives:

- 4.1 Adjust Value Stream budgets dynamically
- 4.2 Sequence Epic implementation with WSJF
- 4.3 Forecast portfolio Epics
- 4.4 Measure Lean Portfolio performance
- 4.5 Applying technology business management to IT finance
- 4.6 Coordinate continuous compliance
- 4.7 Explain Agile development software capitalization



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.

## Lean governance: Collaboration and responsibilities



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Notes:

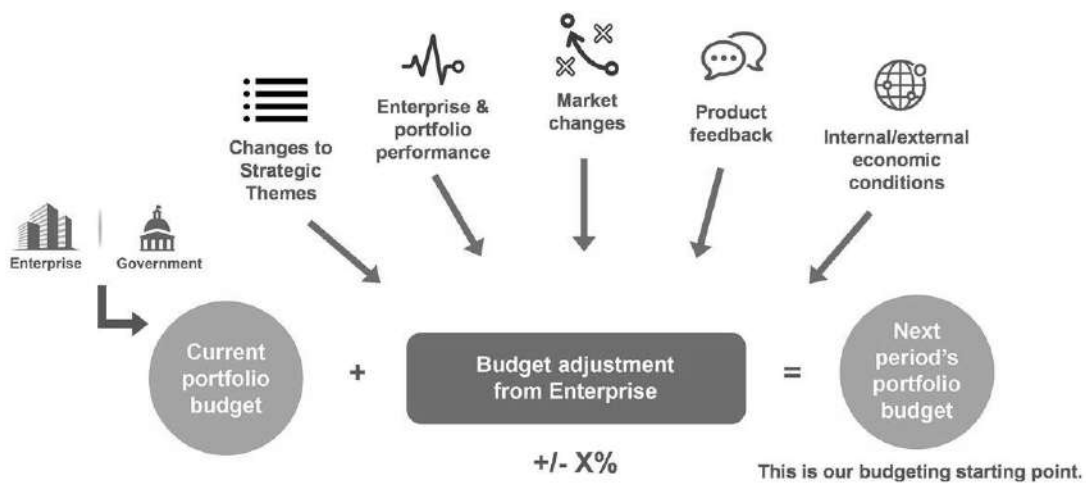
### 4.1 Adjust Value Stream budgets dynamically

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Notes:

The Enterprise establishes the total portfolio budget



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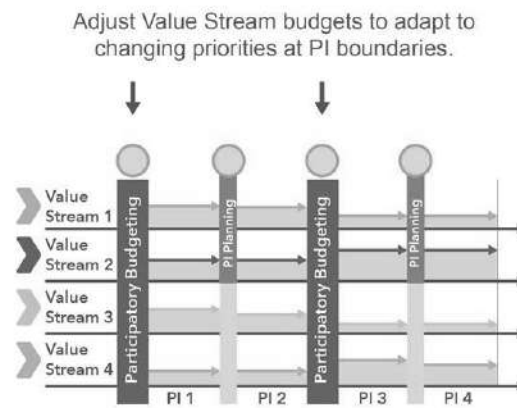
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Notes:

## 4.1 Adjust Value Stream budgets dynamically

### Value Stream budgets must be adjusted over time

- ▶ Typically, Value Stream budgets are adjusted twice annually
- ▶ Less frequently and spending is fixed for too long, and it may limit agility
- ▶ More frequently and planning may be more challenging



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Notes:

### Apply participatory budgeting to adjust budgets

- ▶ Most organizations will generate more good ideas than they can fund, resulting in a portfolio prioritization challenge
- ▶ Fiduciaries and participants from different Value Streams use participatory budgeting to collaboratively determine which Epics should be chosen and prioritized
- ▶ These choices determine how the Value Stream budgets will be adjusted over time



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Notes:

## 4.1 Adjust Value Stream budgets dynamically



Video: Participatory budgeting in Silicon Valley

Duration  
5 min



***The Budget Games involves:***


- 100+ neighborhood leaders & youth commissioners
- City Council
- City Department Heads

[bit.ly/2WRMReI](https://bit.ly/2WRMReI)

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Notes:




Workshop: Participatory budgeting forum

Prepare  
30 min

Share  
10 min

- ▶ **Step 1:** Review the Participatory Budgeting instructions in your workbook
- ▶ **Step 2:** Engage in a participatory budgeting forum
- ▶ **Step 3:** Be prepared to present the findings from the forum to the class



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Notes:

## 4.1 Adjust Value Stream budgets dynamically

### Preparation for participatory budgeting

Participatory budgeting is a significant event that requires preparation, coordination, and communication.



Prepare Epic content and set the context



Gather the right people



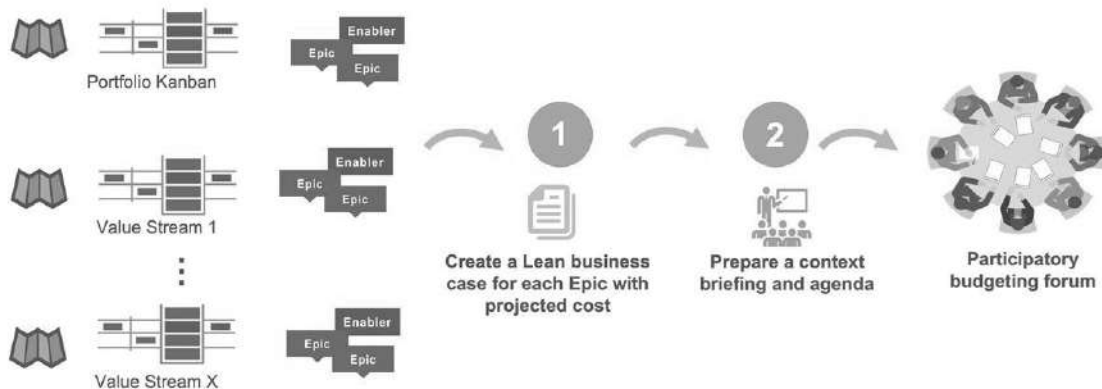
Understand the budget composition

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Notes:

### Prepare Epic content and set the context

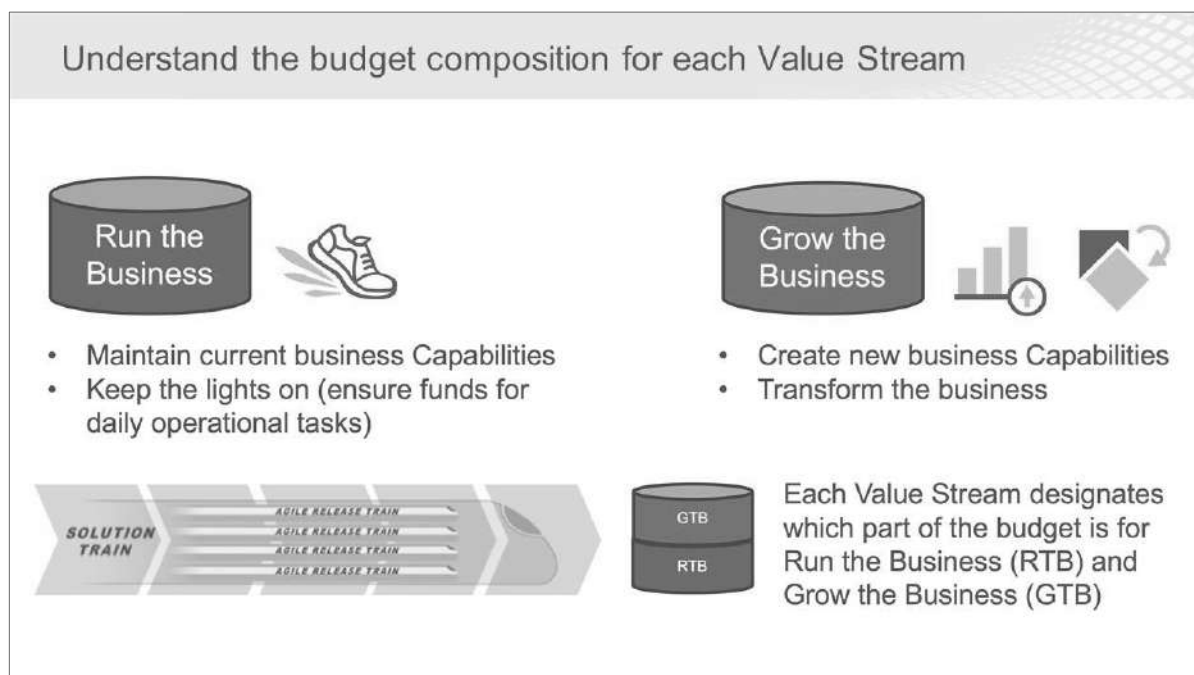


Notes:

## 4.1 Adjust Value Stream budgets dynamically



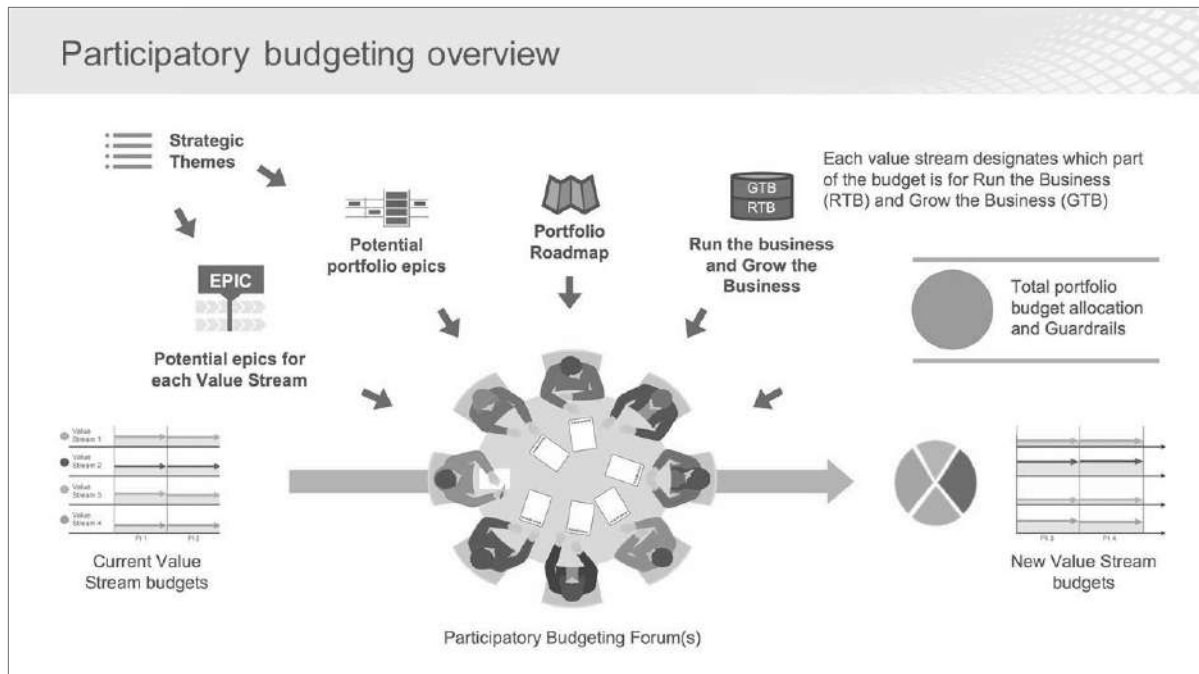
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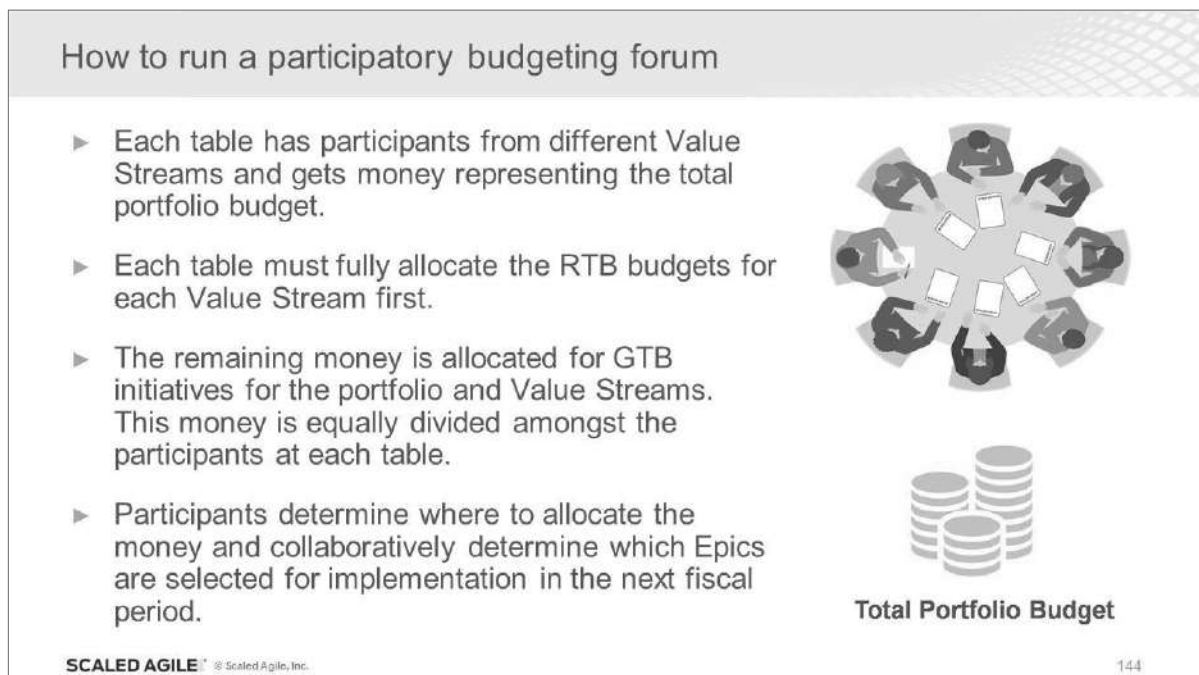
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## 4.1 Adjust Value Stream budgets dynamically



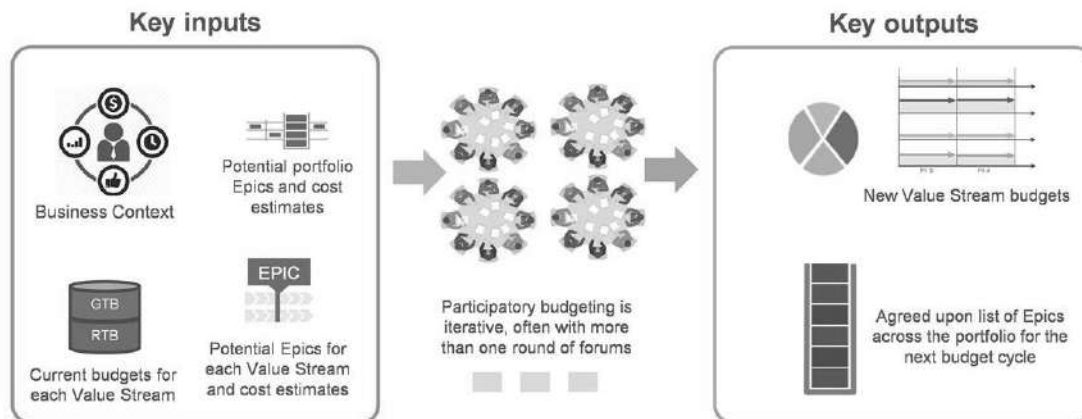
Notes:



Notes:

## 4.1 Adjust Value Stream budgets dynamically

### Participatory budgeting key inputs and outputs



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Notes:

### Participatory budgeting benefits

- ▶ It helps ensure that empowered Value Stream stakeholders are making the best possible decisions
- ▶ Resulting Value Stream budgets are more realistic and more achievable than those imposed top-down
- ▶ More ownership improves morale and typically results in greater efforts by employees to achieve what they forecasted
- ▶ It gains better agreement and buy-in to the funding of each Value Stream



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Notes:

### Adjust Value Stream budgets after participatory budgeting

- ▶ LPM and Value Stream fiduciaries discuss the results of participatory budgeting
- ▶ They collaboratively determine the adjustments needed to the Value Stream budgets and make final decisions about which Epics are selected for implementation
- ▶ LPM verifies that the investments are aligned with the budget Guardrails
- ▶ Weighted shortest job first (WSJF) is used to sequence Epics for implementation after participatory budgeting



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Notes:

### 4.2 Sequence Epic implementation with WSJF

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Notes:

#### Prioritization in a flow-based system

Prioritization in a flow-based system requires knowing two things:

- ▶ The cost of delay (CoD) of delivering value
- ▶ The duration to implement the value

*If you only quantify one thing, quantify the Cost of Delay.*

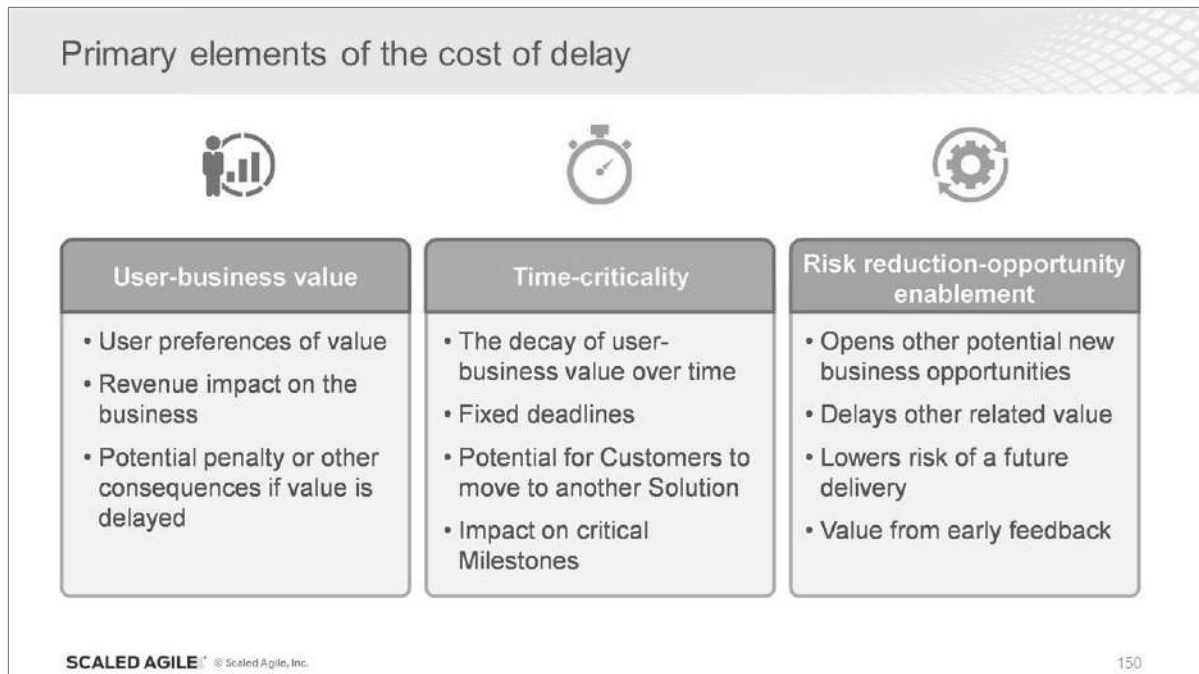
—Don Reinertsen, *Principles of Product Development Flow*



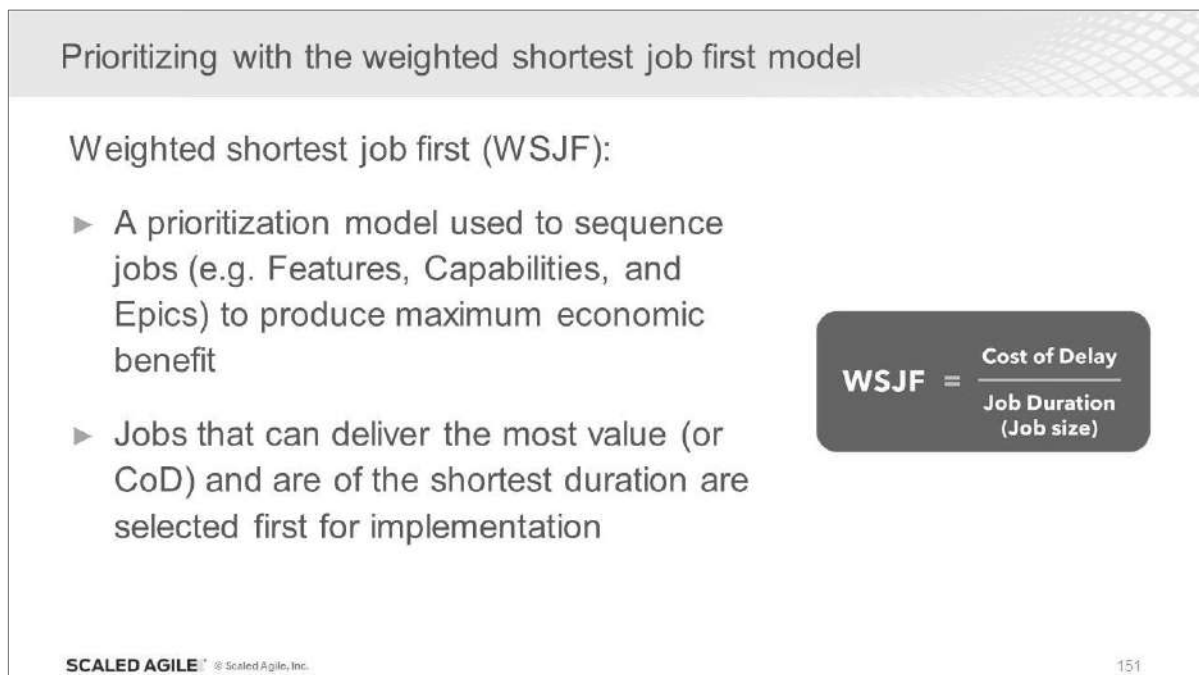
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Notes:



Notes:



Notes:

### Understanding job duration for WSJF

- ▶ Job duration can be difficult to determine, especially early on when we might not know who is going to do the work and when.
- ▶ Fortunately, we have a ready proxy: job size. In systems with fixed resources, job size is usually a good proxy for duration.
- ▶ Relative estimation, using Fibonacci numbers (1, 2, 3, 5, 8, 13, 20), is a quick technique to relatively estimate job size.

Business Epic 1

Business Epic 2

Enabler Epic 3

Business Epic 5

Enabler Epic 8

Business Epic 13

Business Epic 20

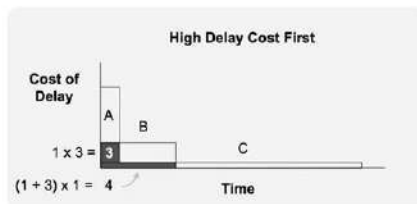
**Portfolio Epics**

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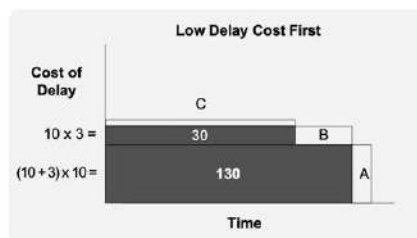
Notes:

### Delivering best economics with WSJF



Business Epic	Duration	Cost of Delay	Weight= CoD/Duration
A	1	10	10
B	3	3	1
C	10	1	0.1

The Epic with the highest WSJF value has the highest priority



$$\text{Cost of Delay} = \text{User-Business Value} + \text{Time Criticality} + \text{Risk Reduction and/or Opportunity Enablement}$$

Reinertsen, Donald G. *The Principles of Product Development Flow: Second Generation Lead Product.*

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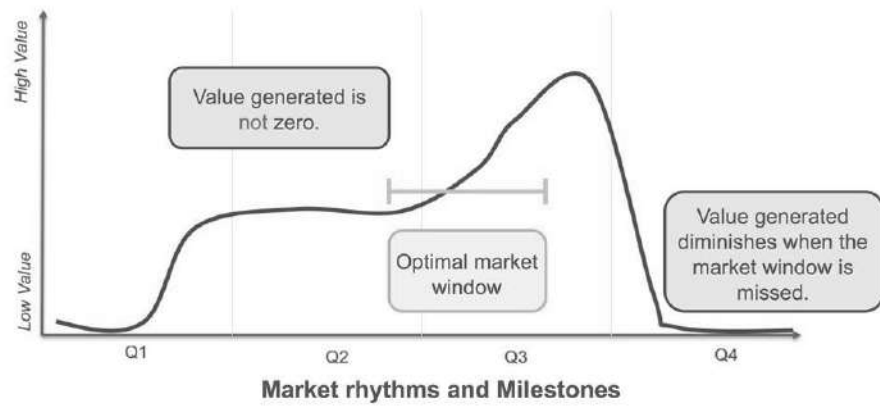
Celeritas Publishing. 2009

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Notes:

Time is a critical component in determining value


Sometimes missing a market window means an Epic or Feature is 'worthless.'



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Notes:




Workshop: Prioritizing Epics with WSJF

Prepare  
10 min

Share  
5 min

- ▶ **Step 1:** Refer to the three business or Enabler Epics you identified for achieving the future state of your portfolio
- ▶ **Step 2:** Using the Prioritizing Epics with WSJF handout, prioritize your three Epics using the WSJF model
- ▶ **Step 3:** Be prepared to share with the class



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Notes:



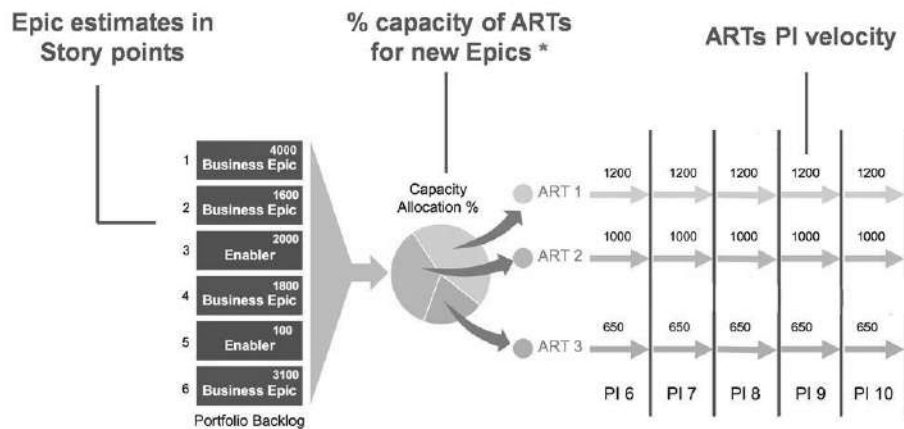
### 4.3 Forecast portfolio Epics

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Notes:

#### Long-term forecasting for portfolio Epics




\* % of capacity for Epics may be different for each Value Stream

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Notes:

## 4.3 Forecast portfolio Epics



Activity: Forecasting a Portfolio Epic

Prepare  
7 min

Share  
3 min

- ▶ **Step 1:** Consider the following scenario: Epic 1 is 4000 Story points and requires the cooperation of three ARTs.
- ▶ **Step 2:** Referring to the table in your workbook, calculate how long Epic 1 will take to implement.
- ▶ **Step 3:** After you calculate the number of PIs for Epic 1 to be implemented, discuss:
  - How would you determine each ART's portion of the Epic in Story Points?
  - What could you do to shorten the amount of time it takes to implement Epic 1?
- ▶ **Step 4:** Be prepared to share with the class

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Notes:

1	A	B	C	D	E	F
		ART PI Velocity	ART's Portion of the Epic 1	% Capacity	ARTs Capacity for Epic 1	# of Pis
2	ARTs					
3	ART 1	1000	2000	40%		
4	ART 2	500	500	50%		
5	ART 3	500	1500	50%		
4000						

### 4.4 Measure Lean Portfolio performance

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Notes:

#### Example of Lean Portfolio Management performance measures

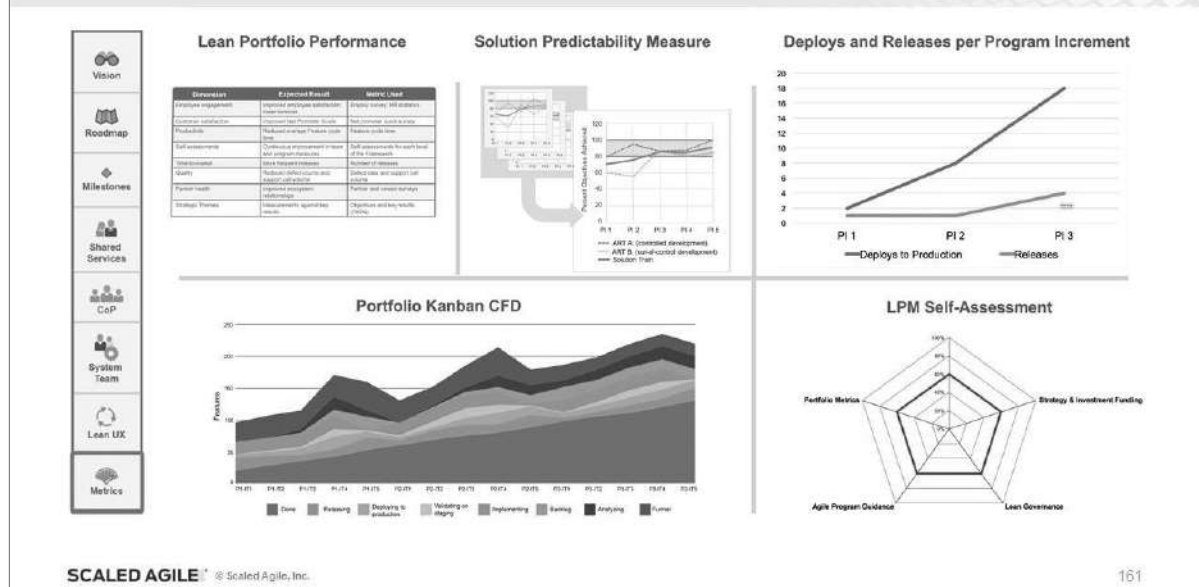
Dimension	Expected result	Metric used
Employee engagement	Improved employee satisfaction; lower turnover	Employ survey; HR statistics
Customer satisfaction	Improved net promoter score	Net promoter score survey
Productivity	Reduced average Feature cycle time	Feature cycle time
Self-assessments	Continuous improvement in team and program measures	Self-assessments for each level of the Framework
Time-to-market	More frequent releases	Number of releases
Quality	Reduced defect counts and support call volume	Defect data and support call volume
Partner health	Improved ecosystem relationships	Partner and vendor surveys
Strategic Themes	Measurements against key results	Objectives and key results (OKRs)

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Notes:

### The Metrics article provides many useful reporting measures



Notes:



### Discussion: Measuring LPM performance

Prepare



Share



- **Step 1:** As a team, review the example of Lean Portfolio Metrics in your workbook
- **Step 2:** Discuss the following:
  - How do you currently assess the progress of your entire portfolio?
  - Why might you choose some of the example set of Lean Metrics?
  - What other set of Metrics may be relevant?
- **Step 3:** Be prepared to share with the class

Description	Expected Result	Metric Used
Employee engagement	Increased employee satisfaction score	Employee survey (eNPS)
Customer satisfaction	Improved Net Promoter Score	Net promoter score survey
Productivity	Reduced average feature cycle time	Feature cycle time
Self-assessment	Continuous improvement in team and program maturity	Self-assessments for each team of the framework
Time-to-market	More frequent releases	Number of releases
Quality	Reduced defect counts and support call volume	Defect rate and support call volume
Partner health	Improved ecosystem maturity	Partner and vendor surveys
Strategic Themes	Measurements against key results	Objectives and key results (OKRs)

### Lean Portfolio Metrics: Example

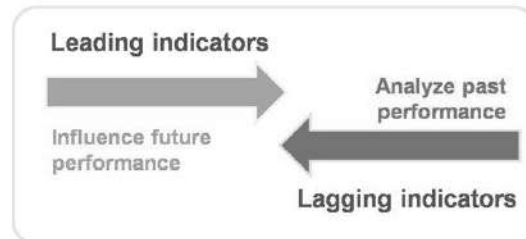
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Notes:

### Applying innovation accounting to govern investments

- ▶ Many desirable portfolio measures of strategic intent are lagging economic indicators. Success factors such as return on investment (ROI), and new markets penetrated, can take a long time to materialize.
- ▶ Instead, the organization needs fast feedback from leading indicators, many of which are not financial metrics. Lean enterprises apply innovation accounting to address this challenge.




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Notes:



Video: Innovation Accounting






<https://vimeo.com/332677950/751f8b51dd>

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Notes:



Discussion: Leading indicators

Prepare  
5 min

Share  
3 min

- **Step 1:** Brainstorm some leading indicators that could be used to evaluate new initiatives in your organization
- **Step 2:** Discuss why you chose those indicators and what other indicators might be relevant
- **Step 3:** Be prepared to share with the class

**Leading indicators**  
Influence future performance

Analyze past performance

**Lagging indicators**

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Notes:

### 4.5 Applying technology business management to IT finance

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Notes:

#### What is technology business management (TBM)?

- ▶ TBM is a value-management framework instituted by CIOs, CTOs, and other technology leaders
- ▶ The goal is for information technology (IT) to measure and explain the value it brings to the organization



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Notes:



### The TBM value proposition

- ▶ Gives technology leaders and their business partners the facts they need to collaborate on business-aligned decisions
- ▶ Provides four main benefits:
  1. **Standardized cost and resource modeling:** Designed with predefined Metrics in mind (performance, cost, quality, utilization, etc.)
  2. **Accelerated benchmarking:** Designed to support meaningful comparisons between organizations
  3. **Extensibility:** Organizations can add specialized categories and sub-categories
  4. **Ecosystem leverage:** Makes it easier to discuss service delivery and strategies across the practitioner community

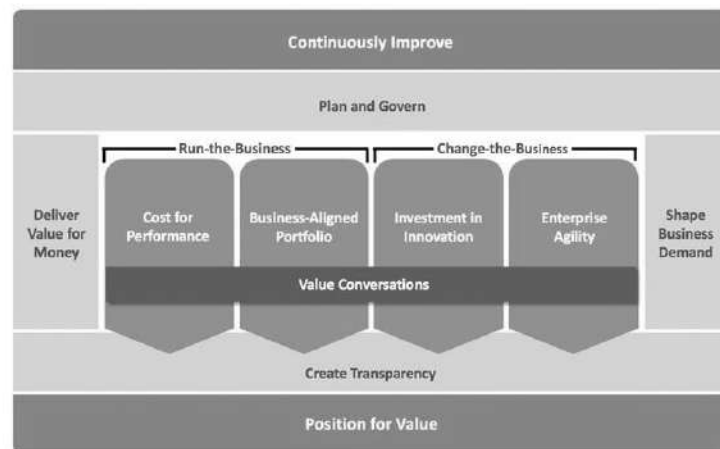
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Notes:

### The TBM framework

- ▶ Contains the best practices for running IT like a business
- ▶ Effectively and consistently communicates the cost of IT along with the business services IT provides



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TBM COUNCIL

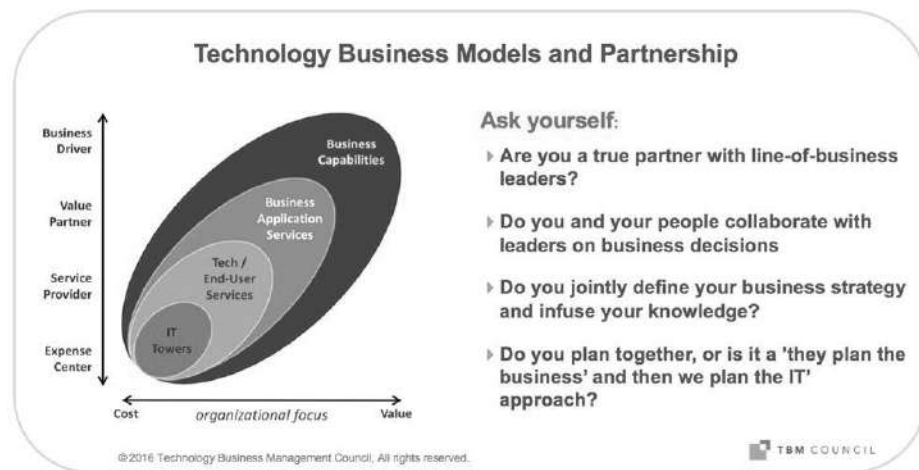
Best practices for IT

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Notes:

### The goal of TBM: Become a value partner or business driver



#### Ask yourself:

- ▶ Are you a true partner with line-of-business leaders?
- ▶ Do you and your people collaborate with leaders on business decisions
- ▶ Do you jointly define your business strategy and infuse your knowledge?
- ▶ Do you plan together, or is it a 'they plan the business' and then we plan the IT' approach?

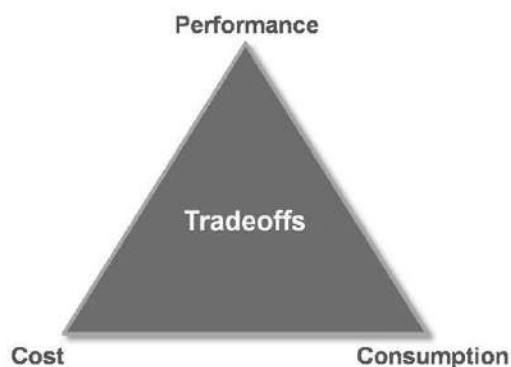
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Notes:

### Tradeoff decisions

TBM improves tradeoff decisions between cost, consumption, and performance



#### Optimizing value requires fact-based tradeoffs

- ▶ Consuming more of X will cost you Y
- ▶ Investing in X will prevent us from investing in Y (or we must spend more to do both)
- ▶ Reducing future cost requires more investment today
- ▶ Cost can be cut in X, but it may increase risk in Y

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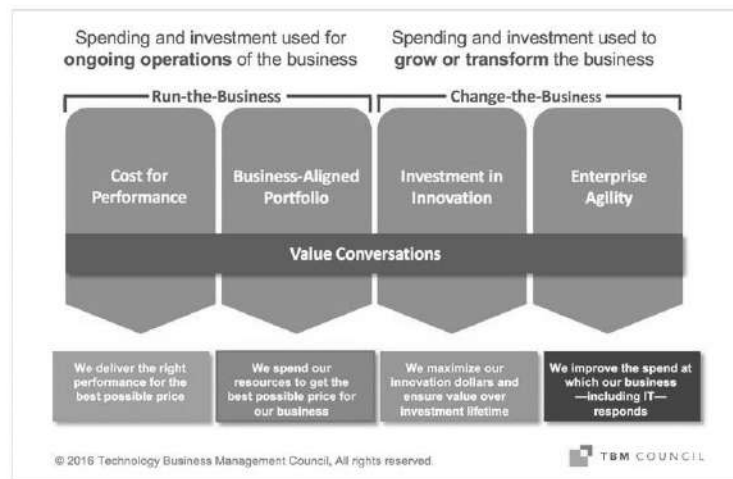
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Notes:

### Four types of value conversation



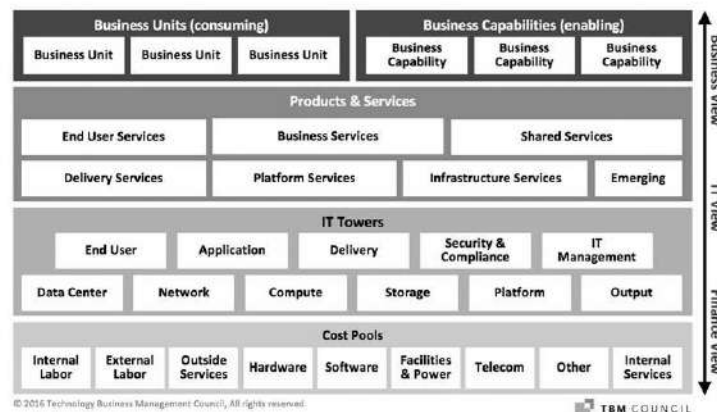
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Notes:

### The TBM taxonomy

- Provides standard categories for cost, consumption, and other Metrics
- Provides three perspectives (views) for finance, IT, and the business



### Classification scheme for costing

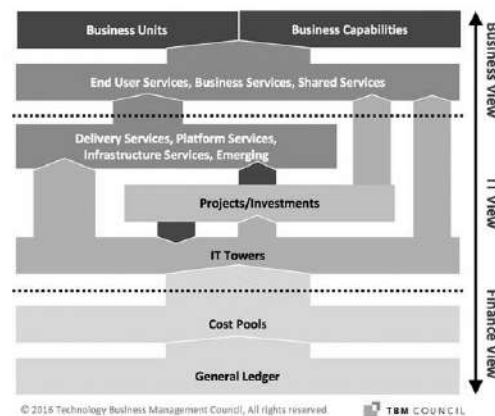
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Notes:

### The TBM model

- ▶ Translates between the three perspectives (views) for finance, IT, and the business
- ▶ Allocates cost from lower layers to upper layers
- ▶ Requires tooling to implement the business rules for translation between layers



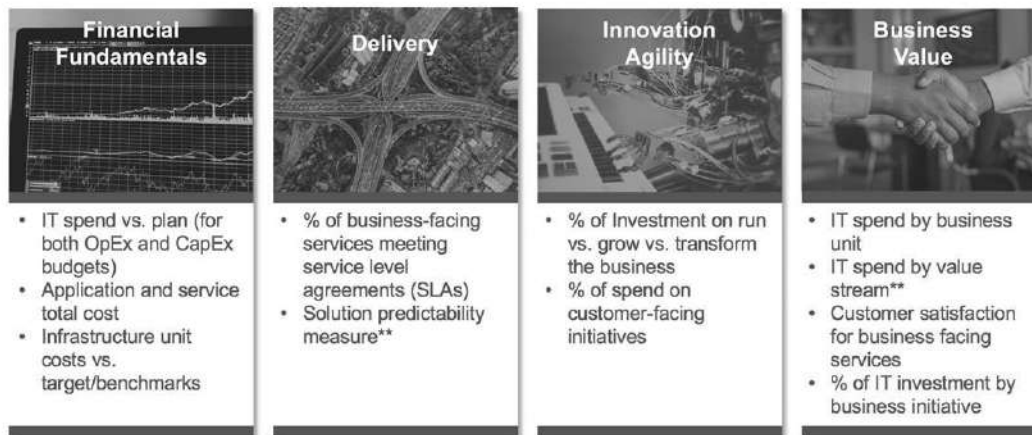
**Business rules for translating cost between layers**

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Notes:

### TBM reporting: Example of standard TBM Metrics



Source: Apptio

\*\* These metrics substitute what Apptio recommends so they are more aligned with Agile thinking

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Notes:



### Video: Top ten TBM IT Metrics and KPIs

Duration  
**3 min**



# 10

## IT METRICS AND KPIs



**CASSANDRA ARORA**  
Apptio

[bit.ly/2uPJlJc](https://bit.ly/2uPJlJc)

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Notes:

## Shape demand with a bill of IT and unit costing

It changes behavior if people are charged with what they use. We've done a lot in the last couple of years to tell that cost story better and, now that we're talking about value, we're becoming a key part of Cargill's strategy.

—James Pleis, IT Finance Lead, Global IT, Cargill



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Notes:

### For more information on TBM and SAFe

Includes:

- ▶ What is TBM?
- ▶ The TBM Approach
- ▶ The TBM Framework
- ▶ TBM KPIs and Metrics



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Notes:

### 4.6 Coordinate continuous compliance

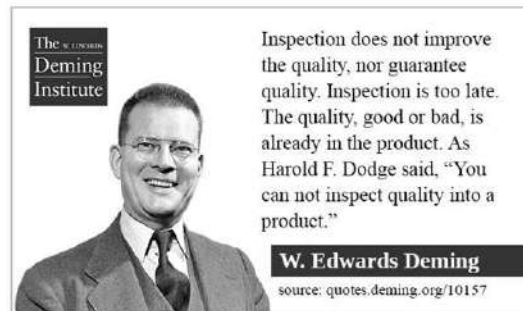
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Notes:

#### Traditional compliance approach

- ▶ Many organizations rely on a comprehensive quality management system (QMS) that is based on phase-gated development models, which are intended to reduce risk and ensure compliance
- ▶ Traditional compliance approaches don't scale, nor do they keep pace with accelerating time-to-market demands

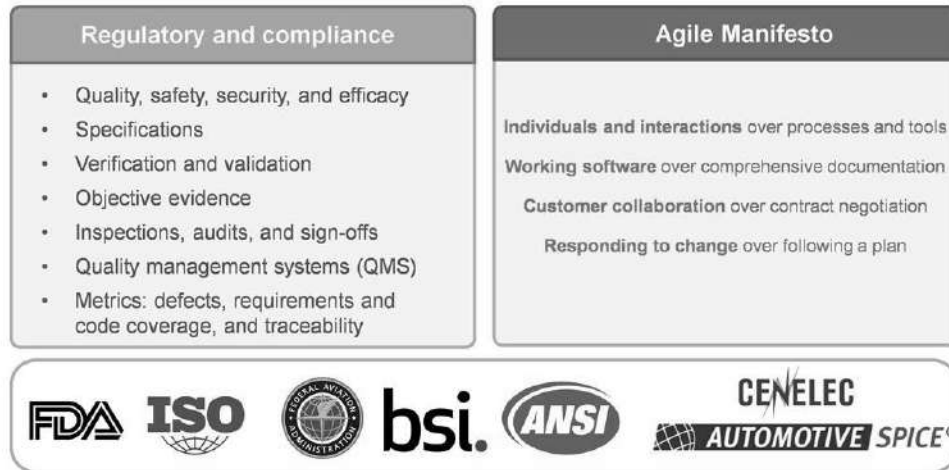


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Notes:

### Regulatory and compliance meet Agile



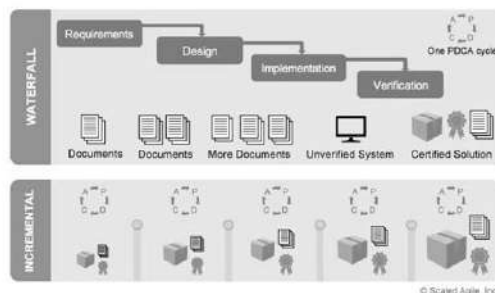
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Notes:

### Continuously verify and validate

A Lean-Agile quality management system (QMS) improves quality and makes compliance more predictable.



Defer compliance to the end of Solution development.



Validate ongoing compliance with relevant standards and regulations.

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Notes:



### Quality management system (QMS)



*A quality management system (QMS) is a collection of business processes focused on consistently meeting customer requirements and enhancing their satisfaction. It is aligned with an organization's purpose and strategic direction.*

—Wikipedia

Source: [https://en.wikipedia.org/wiki/Quality\\_management\\_system](https://en.wikipedia.org/wiki/Quality_management_system)



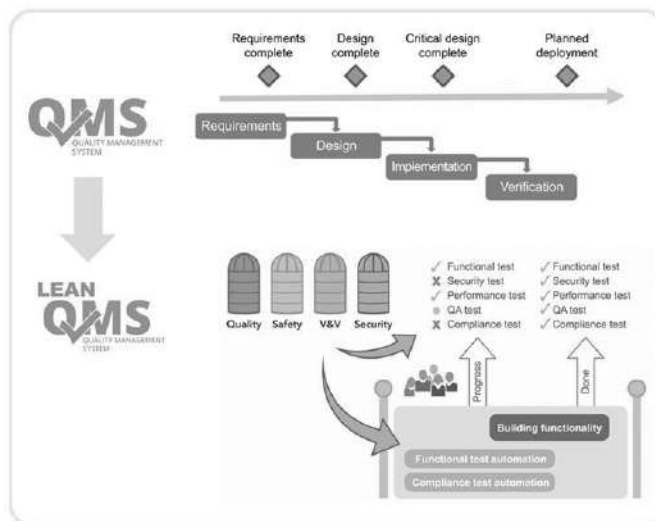
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Notes:

### Improving quality with a Lean QMS

- ▶ Build the Solution and compliance incrementally
- ▶ Organize for value and compliance
- ▶ Build quality and compliance in
- ▶ Release validated solutions on demand




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Notes:


## 4.6 Coordinate continuous compliance

For more information on compliance with SAFe




**SAFe® White Paper**  
Achieving Regulatory and Industry Standards Compliance with the Scaled Agile Framework® (SAFe®)  
A Scaled agile, Inc. White Paper  
August 2017

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Available on the Scaled Agile Framework site



Achieving Regulatory and Industry Standard Compliance with the Scaled Agile Framework®

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Available to SPCs in the SAFe Community Platform

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Notes:

## 4.7 Explain Agile development software capitalization

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Notes:

### Disclaimer

The treatment of software costs and potential for capitalization treatment varies by country, by industry (for example, while many companies in the U.S. are subject to one set of rules, suppliers to the U.S. federal government have an entirely different set of rules), and even by individual company policy.



The responsibility for appropriate implementation of financial accounting for capitalization of development costs rests with each enterprise. Take some time to meet with your financial authority to socialize potential strategies around your transformation.

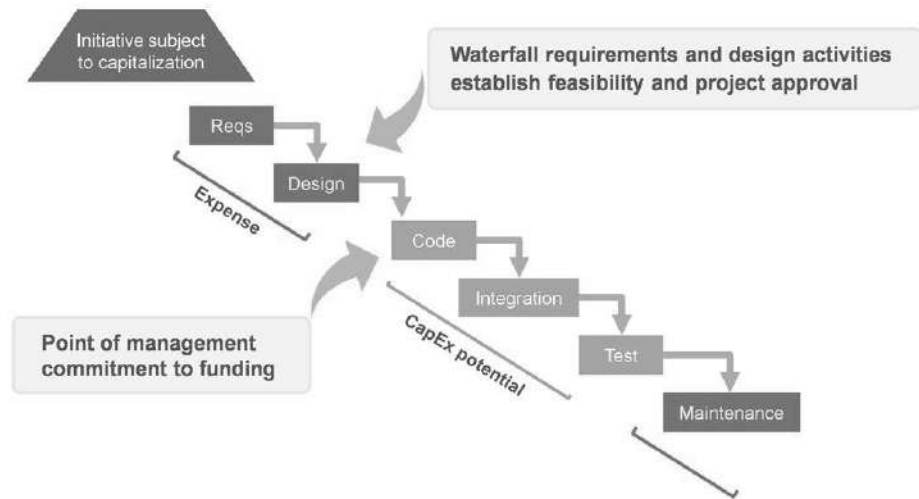
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Notes:

## 4.7 Explain Agile development software capitalization

### Traditional methods for software capitalization cause waterfall practices

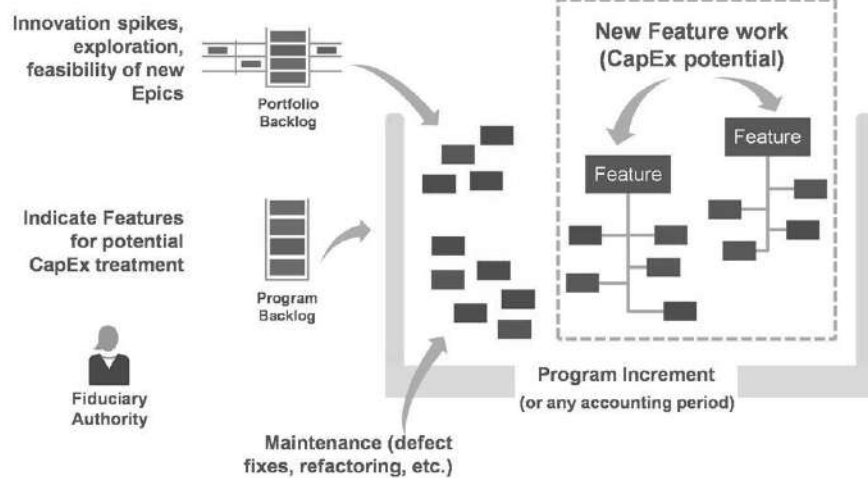


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Notes:

### Moving to an Agile approach for CapEx reporting



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Notes:

## 4.7 Explain Agile development software capitalization

### SAFe portfolios may include both CapEx and OpEx

Expense	Capitalize
Costs associated with establishing feasibility of a program, including: <ul style="list-style-type: none"><li>▸ Feasibility research and prototyping</li><li>▸ Analysis and formulation of alternatives</li><li>▸ High-level architectural work in support of decision-making</li><li>▸ Training</li><li>▸ Production maintenance and support</li></ul>	Costs associated with committed new projects and upgrades that increase functionality of existing software (including major revisions of third-party products). These may include detailed design activities for committed new functionality, including: <ul style="list-style-type: none"><li>▸ Salaries</li><li>▸ Cost of materials</li><li>▸ Contract labor</li><li>▸ Burden, including some directly associated indirect labor, and interest</li></ul> Excluded: General and administrative costs and overhead

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Notes:

### Example of Agile accounting methods for CapEx reporting

By Story hours	By Story points	By Story count
← Increasing granularity, increasing overhead		
Individuals record actual hours for all Stories in the timebox  <i>X = total hours recorded to Stories that are parented by typed Features</i>  <i>Y = total hours invested in the period</i>	Teams record actual points for all Stories in the timebox  <i>X = Story points for Stories that are parented by typed Features</i>  <i>Y = total Story points in the period</i>	Individuals record nothing additional  <i>X = total Stories parented by typed Features</i>  <i>Y = total Stories in the period</i>
Potential CapEx \$ = (X/Y) x total period cost		

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Notes:

For more information on CapEx and OpEx



Access on the Scaled Agile Framework site:

<https://www.scaledagileframework.com/capex-and-opex>

Notes:

## Lesson review

In this lesson you:

- ▶ Applied Participatory Budgeting to adjust Value Stream budgets
- ▶ Sequenced Epic implementation with WSJF
- ▶ Forecasted portfolio Epics
- ▶ Analyzed Lean Portfolio performance measures
- ▶ Explored application of technology business management to IT finance
- ▶ Explored how to coordinate continuous compliance
- ▶ Explained Agile development software capitalization

Notes:





## Lesson 5

# Implementing the LPM function

### Learning Objectives:

#### 5.1 Implementing the LPM function



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.

## 5.1 Implementing the LPM function



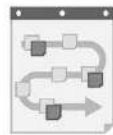
### Activity: Set up the work area for implementing the LPM function



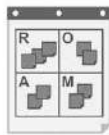
- ▶ **Step 1:** Locate the flip chart where you identified the LPM missing constructs from Lesson 1
- ▶ **Step 2:** Set up your team area using flip chart sheets as shown below
  - ▶ Note: Several flip charts will be needed to build your LPM implementation roadmap



Identify missing LPM constructs




Build your LPM implementation roadmap



ROAMing LPM challenges and risks



Identify LPM Stakeholders



Activity: Identify missing LPM constructs

Prepare  
10 min

Share  
10 min


- ▶ **Step 1:** Refer to the “Map Your Portfolio Current State Process” activity from lesson one
- ▶ **Step 2:** Using sticky notes, identify some of the LPM constructs missing from your current state
- ▶ **Step 3:** Be prepared to share with the class:
  - What are some foundational constructs of LPM that are currently missing from your process?
  - What traditional practices in your current process should be changed or eliminated?

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Notes:

## 5.1 Implementing the LPM function

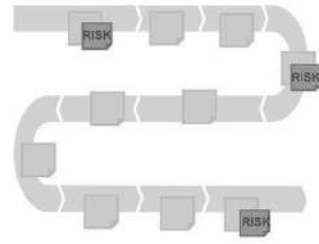


### Activity: Build your LPM implementation roadmap

Prepare  
15 min

Share  
5 min


- ▶ **Step 1:** Using flip chart sheets or a whiteboard, build your LPM implementation roadmap:
  - Using sticky notes, illustrate the high-level activities and Milestones for implementing LPM in your context
- ▶ **Step 2:** Using red or pink sticky notes, identify potential challenges and risks
- ▶ **Step 3:** Be prepared to present to the class



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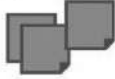





Discussion: ROAMing LPM challenges and risks

Prepare  
10 min

Share  
5 min


- ▶ **Step 1:** Assess the risks towards implementing the LPM function in your context using the *ROAMing* technique:
  - ▶ **Resolved** - The risk has been addressed.
  - ▶ **O**wned - Someone has taken responsibility for the risk
  - ▶ **A**ccepted - Nothing more can be done. If the risk occurs, the consequences must be accepted.
  - ▶ **M**itigated - There is a plan to reduce the impact of the risk.
- ▶ **Step 2:** Be prepared to present to the class

<b>R</b> esolved 	<b>O</b> wned 
<b>A</b> ccepted 	<b>M</b> itigated 

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Notes:



Discussion: Who should be part of the LPM function?


Prepare  
5 min

Share  
3 min

► **Step 1:** As a team, discuss on the following:

- Who in your context should be part of the LPM function for each of the three LPM collaborations?
- What roles would they perform?
- Who are the key stakeholders of the LPM function?

► **Step 2:** Be prepared to share with the class



**Identify LPM Stakeholders**

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Notes:

## Summary

### During this course, you:

- ▶ Applied participatory budgeting for adjusting Value Stream budgets
- ▶ Managed dependencies and exploited opportunities in your portfolio with Value Stream coordination
- ▶ Explored the benefits of the technology business management (TBM) framework
- ▶ Identified leading indicators for measuring Lean portfolio performance
- ▶ Built a plan for LPM implementation
- ▶ Described what LPM is and why it's important
- ▶ Connected the portfolio to Enterprise strategy
- ▶ Analyzed tools and techniques for implementing Lean budgeting
- ▶ Established portfolio flow with the portfolio Kanban
- ▶ Explored ways to support the Agile PMO and CoPs

Notes:





## Lesson 6

# Becoming a SAFe Lean Portfolio Manager

### Learning Objectives:

#### 6.1 Becoming a SAFe Lean Portfolio Manager



SAFe® Authorized Course Attending this course gives students access to the SAFe® Lean Portfolio Manager exam and related preparation materials.

### Make the most of your learning



#### Access the SAFe Community Platform

Manage your member profile, continue your learning with toolkits and videos, and access communities of practice and the member directory



#### Prepare Yourself

Extend your SAFe knowledge and prepare for certification with your learning plan, course workbook, study materials, and practice test before your exam



#### Become a Certified SAFe Professional

Demonstrate your validated knowledge, skills, and mindset to participate in SAFe methods




#### Showcase Your SAFe Credentials

Use your digital badge to view global insights, track market labor data, and see where your skills are in demand

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Notes:



Video: Become a Certified SAFe Professional


Duration  
3 min

Continue to build on the foundation of SAFe learning you began in class by studying and taking the certification exam.

Earning this certification demonstrates and establishes your new knowledge.

Certification details at:

[www.scaledagile.com/certification-and-exam-information-lpm/](https://www.scaledagile.com/certification-and-exam-information-lpm/)



<https://vimeo.com/307578726>

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Notes:



Video: Welcome to the SAFe Community Platform

Duration  
5 min

Want to learn more about the next steps on your SAFe Journey?

Access the SAFe Community Platform and discover all the SAFe resources available for your use!



<https://vimeo.com/201877314>

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Notes:

**SAFe Glossary:**

Visit the Scaled Agile Framework site  
(<http://scaledagileframework.com/glossary>) to download glossaries  
translated into other languages