



Agile and Project Portfolio Management (PPM)

This point of view covers

What are common misperceptions related to Agile?

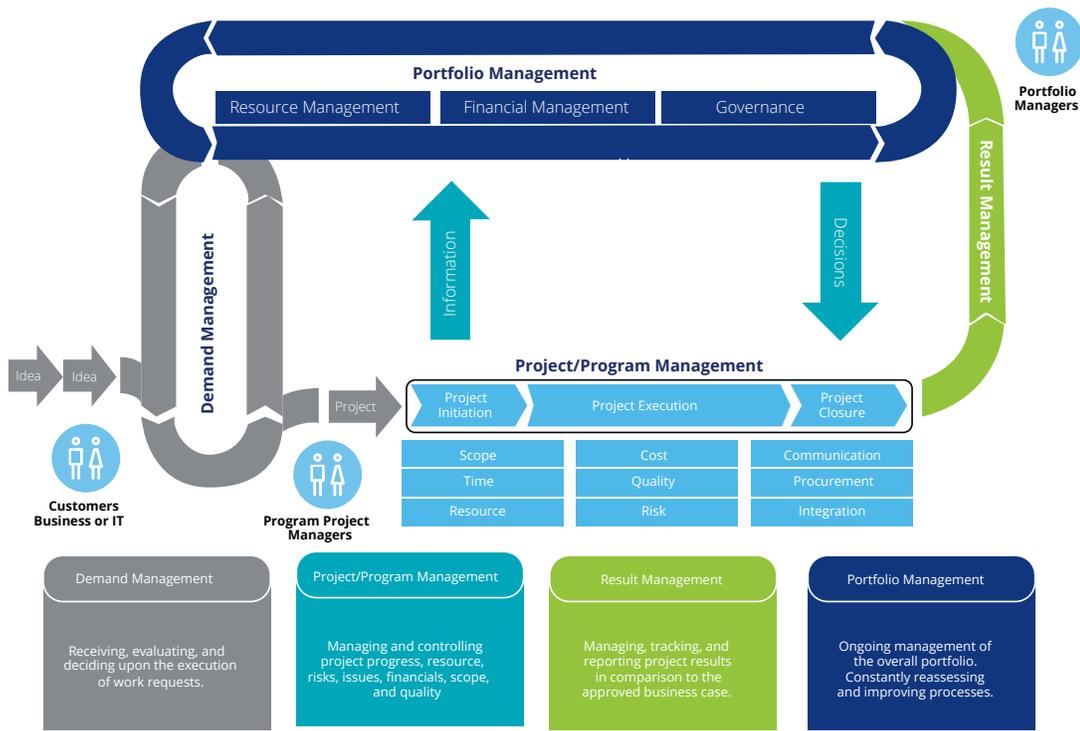
How do the objectives of Agile and PPM relate?

What are key Agile features to align with PPM?

Why is proactive alignment a strategic move?

Common PPM misperceptions relating to Agile

PPM is the art and science of gaining command over the work and resources in one's project delivery organization. As depicted in the image below, the holistic, closed loop view of PPM feeds information to the portfolio level from the three more tactical PPM practices: Demand Management, Project/Program Management, and Results Management.



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One common misperception of PPM is that PPM is a waterfall related methodology that needs to be theoretically modified before it can be associated with Agile. Project/Program Management in the closed loop PPM diagram is not waterfall centric. The upper chevrons do not contain a Software Delivery Lifecycle methodology. Instead they show project initiation, project execution, and project closure. All three of these activities relate to both Agile and waterfall projects. They also fall within the same sequence regardless of project type. The attribute boxes below the chevrons (scope, cost, communication, time, quality, procurement, resource, risk, and integration) are all attributes common to all managed work, regardless of the delivery methodology.

Setting aside the misperceptions, the remainder of this document will focus on how an organization manages both waterfall and Agile projects/programs within the overall portfolio using PPM.

How do the objectives of Agile and PPM relate?

Growth in Agile adoption: Business and Technology leaders are experiencing heightened market pressures for innovation and rapid delivery of new technology solutions. Continued pressures on the bottom line are causing CIOs to drive further optimization of their delivery functions. The confluence of these factors is leading many organizations to adopt Agile methodologies as a principal means to deliver solutions to customers, whether internal or external. Agile blurs the lines between business and technology teams, puts decision making closer to the team doing the work, and favors continuous prioritization and delivery of working product.

The rate of Agile adoption is accelerating, across a broad spectrum of industries and geographies. However, organizations may not be anticipating how Agile is integrated with their PPM function.

The PPM framework: As stated in the previous section, the aim of PPM is to provide leaders with clear insights into the alignment, status, and resources to move their organization forward, and to make strategic adjustments as needed. The essential PPM processes are Demand, Portfolio, Project/Program, and Results Management, and together, they provide the foundation for decision making and monitoring processes. Whether an organization employs primarily Waterfall methodologies, or has adopted Agile capabilities, the processes on the framework remain vital to achieving optimal outcomes.

However, as an organization begins to adopt Agile, teams may notice that Agile concepts, taxonomy, and measures are often different than their Waterfall counterparts. We will highlight these differences, and discuss how to incorporate Agile and Waterfall delivery to manage a unified portfolio. Organizations can gain the benefits of Agile delivery, while providing leaders with strategic insight into the portfolio performance.

What are key Agile features to align with PPM?

Demand Management is focused on receiving, evaluating, and deciding upon work requests. This is accomplished with prescribed points of entry for new requests, and qualifiers to prioritize them. Agile introduces two key concepts that enhance demand management, and support Portfolio and Results Management (defined later). These new concepts are Value Streams and Epics. Value Streams are the ecosystem of teams that deliver against Epics. Epics are large cross-cutting initiatives that deliver solutions to the end user. As more teams adopt agile across the organization, the need to define Value Streams and Epics is critical, to ensure coordinated planning and delivery. Incorporating these practices into Demand Management is essential for Agile teams to plan effectively.

Portfolio Management is responsible for continually assessing the performance of active programs and projects, against defined criteria. The focus is on governing the portfolio to optimize resources, such that they are fulfilling the highest priorities of the organization. One way this is achieved is funding projects, which have a specific investment amount, a defined scope, and a target delivery date. At the macro level, traditional and Agile organizations will conduct Portfolio Management in the same manner. Even as an organization starts its journey to Agile adoption, there is really no difference in how the portfolio is governed. However, organizations that achieve Agile at scale may fund Value Streams, allow de-centralized financial decision making within the portfolio, and continuously prioritize their backlog of activities within each Agile project to adjust to changing business priorities. The implication is that the linkage between portfolio-level decisions and team-level delivery can be broken, if the change in methodology is not anticipated. As a result, PPM incorporates governing and funding of Value Streams, in order to make effective portfolio-level trade-offs.

Project/Program Management Management implements controls to manage scope, financials, progress, and quality of delivery. Project status of Red-Yellow-Green is the primary method of conveying whether a Waterfall-delivered project is in control or not. Since project scope, budget, and timeline are defined at inception, the status is driven from actuals against that baseline. In contrast, the health of Agile projects is seen through an analogous set of metrics at the portfolio level. Shown below are the waterfall metrics in contrast with their Agile counterparts. The implication for PPM is to ensure clarity on status definitions, and what constitutes Red-Yellow-Green in an Agile context. Organizations that are adopting Agile should anticipate this change, and incorporate this new set of metrics in their PPM playbook and reporting.

	Am I on time?	Is my scope controlled?	Is my actual effort higher than expected?	Am I on budget?
	Schedule	Scope	Effort	Budget
Waterfall metrics	Deliverable and major milestone completion status	Volatility (approved change request hours vs. baseline)	Estimated vs. Actual hours	Forecast vs. Actual
Agile metrics	<ul style="list-style-type: none"> • Sprint burndown • Sprint velocity • % stories accepted • Velocity variance 	<ul style="list-style-type: none"> • Epic burnup chart • % features accepted • Predictability score • Average release size 	<ul style="list-style-type: none"> • Velocity plan vs. Actual • Epic Progress Measure • Product Quality • Defect Density 	Forecast vs. Actual

Results Management is responsible for tracking and reporting actual project results in comparison to the original business case. Organizations that exercise discipline in revising their business case during the course of projects are better positioned to conduct this comparison. In traditional projects, the business case is defined at the outset, and impacted by change controls throughout the duration of the project. Agile efforts utilize a backlog to continually prioritize features, and the sponsoring business is accepting delivery of Agile features as they are ready. The net effect is an embedded quasi-results management process. Whether a project is delivered via traditional or Agile methods, results management still verifies that the intended business value is achieved- examples such as delivering incremental revenue, increased customer satisfaction, or reduced cost.

Why is proactive alignment a strategic move?

Consistent with the theme so far, organizations that adopt Agile will experience an inflection point, where alignment of Agile concepts into PPM is essential to achieving the full benefits of Agile. It's actually an exciting prospect for leaders at organizations who are making the journey to Agile at scale. The implications to people, process, and tools are consistent, and those that anticipate the changes can leverage their PPM function to be an Agile catalyst.

From a people perspective, Agile relies on a decentralized decision rights model for projects within a given portfolio. This can help drive an increased sense of individual leader accountability, versus a central decision body. Leaders who proactively examine their PPM governance models and incorporate the practices of Agile can have focused and meaningful portfolio reviews. Project/Program Management measures performance change, too. Processes such as tollgates are modified and ultimately diminish, as controls are embedded in the continuous delivery of value through sprints. Leaders that anticipate this can be more conversant to demonstrate how Agile projects incorporate proper control.

Tools used by Agile teams to track features, stories, and epics can be integrated into PPM tools to provide end-to-end traceability of work conducted in Project/Program Management. Project work can be linked to the Epics and Value Streams that deliver value to customers. Leaders who drive integration of Agile and PPM processes and tools can leverage rich analytics on project-level performance - better linking effort and results.

Conclusion

PPM offers a robust framework that includes Demand, Portfolio, Project/Program, and Results Management. As organizations mature on the journey to optimal Agile practices, they need to align new Agile practices to their PPM function. These new Agile practices cover people, process, and tool considerations. Anticipating this when teams first start adopting Agile, and building a roadmap to incorporate Agile into PPM, is a critical success factor. This can unlock additional business performance across the enterprise. Finally, a PPM function that can harmonize both Waterfall and Agile is a key catalyst to achieving Agile at scale.

Deloitte has helped organizations achieve the goal of adopting Agile at scale. We recognize the importance of planning the journey to Agile, in conjunction with the PPM function. Our approach includes examining current PPM and delivery processes and tools, and leveraging accelerators to help you move your organization forward.

Want to learn more? Contemplating the benefits of Agile, but not sure how to get there? Explore Deloitte PPM resources and contact us to help you make the journey to Agile adoption with robust PPM capabilities..

For more information contact:

- Chris Garibaldi, Principal, Deloitte Consulting LLP, cgaribaldi@deloitte.com
- Robert Maloney, Specialist Leader, Deloitte Consulting LLP, rmaloney@deloitte.com
- Jeff Mischka, Principal, Deloitte Consulting LLP, jmischka@deloitte.com
- Michael Ravin, Managing Director, Deloitte Consulting LLP, mravin@deloitte.com

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