First Steps for PPM and PMO Leaders to Embrace Product Management

Published: 22 May 2018 **ID:** G00355412

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Product management, evolving into mainstream IT from digital business, is supplanting traditional project management. PPM leaders must evolve toward product portfolio management to add value in the digital age.

Key Challenges

- Agile and digital business teams exclude program and portfolio management (PPM) leaders because much of the traditional value proposition of PPM, at a granular project level, no longer exists.
- As IT product management grows in popularity, PPM leaders struggle to replicate familiar project portfolio constructs.
- Increased budget pressures, coupled with increased demand for digital innovation, will force PPM leaders to embrace product portfolios.

Recommendations

PPM leaders evolving portfolio and resource management in the digital business age:

- Deliver rapid value by reporting up to senior leadership and enabling resource management with nondedicated resources.
- Enable better investments by ensuring investment portfolio management is part of your enterprise agile framework.
- Enable cross-portfolio comparison by using product metrics.

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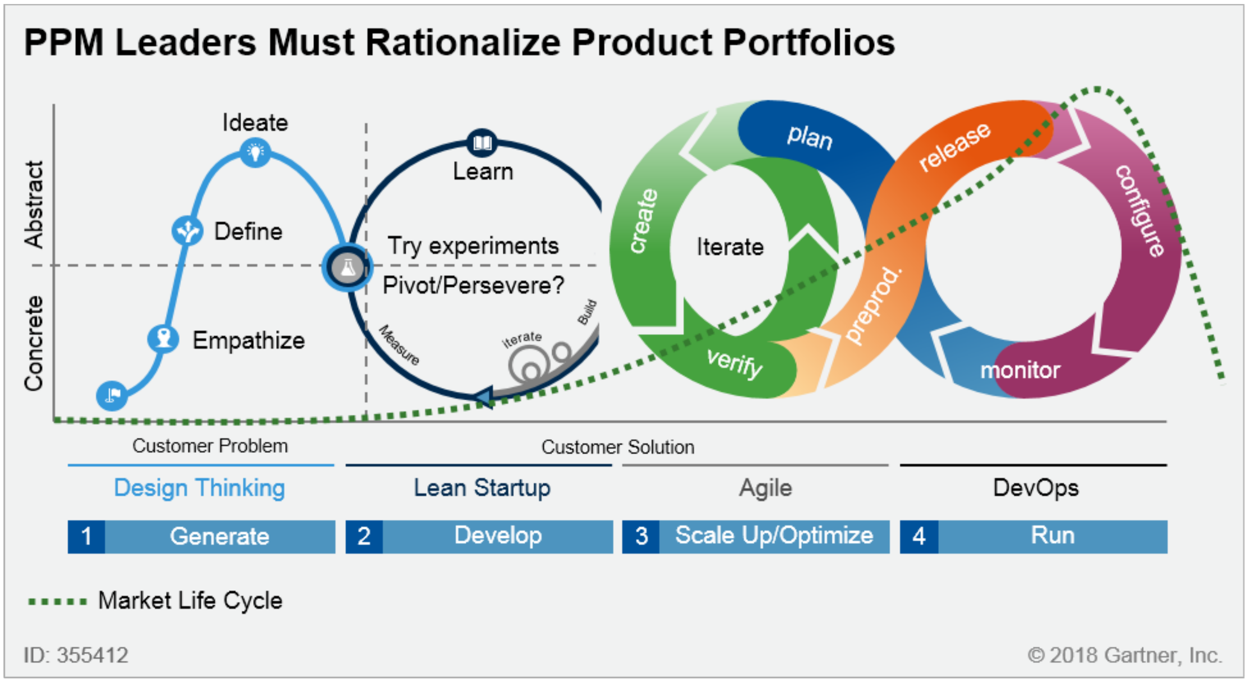
Introduction

Agile software development is increasing in use and popularity in organizations. Agile methods allow agile teams to respond to change without penalty. Agile leverages a product concept, which marginalizes traditional project planning concepts most familiar to PPM leaders. As agile continues to increase in popularity, use and scale in organizations, PPM leaders must shift their value proposition to enabling product constructs or risk irrelevance. How can PPM leaders provide value as organizations evolve to product constructs? PPM leaders must continue to focus on strategic portfolio and resource management (see Figure 1).

Figure 1. Projects Evolve To Products With Product Life Cycle



Source: Gartner (May 2018)

Analysis

Deliver Rapid Value by Reporting Up and Enabling Resource Management With Nondedicated Resources

There are two near-term areas where PPM can provide value to agile product teams — reporting up and enabling better resource management.

Near-Term Area No. 1: Reporting Up

Agile product teams are usually (or mostly) dedicated and informed and have a sense of what's going on within their teams and products. Often a product manager serves as the director of the product roadmap and thus the consolidator of product health information. Agile product teams tend to focus on different metrics than traditional project teams, specifically, measures of customer value, velocity, quality and organizational effectiveness. The metrics used by agile product teams are useful to calibrate these teams. Members of an IT steering committee (ITSC) or executive steering committee (ESC) and finance may not be used to these metrics. It is likely that red-yellow-green bubble charts and spreadsheets measuring time and spend against an initial plan provided comfort to these stakeholders for years. They won't get the same reports with agile efforts, largely because there is no original plan to report against. That doesn't mean senior executives can't or shouldn't get useful information for decision making.

Agile enables adjusting to changes, lowering the chance that things can go wrong and allaying many ITSC/ESC concerns. Agile also fixes most of the spending (i.e., labor) at a prescribed run rate, minimizing the chance that the effort will drastically overspend, and addressing a primary finance concern. Conditioning members of the ITSC/ESC and finance to look at agile metrics may take effort. Customer value, velocity, quality and even organizational effectiveness are all valid considerations for these stakeholders (see Table 1).

Table 1. Core Enterprise Agile Dashboard Metrics

Metric Category	Dashboard Metric
Customer Value	▪ Customer satisfaction/adoption ▪ Delivery of business outcomes ▪ Revenue/consumption
Organizational Effectiveness (build strong teams and processes)	▪ Team happiness
Quality (build a working product)	▪ Defect escape rate ▪ Technical debt
Velocity (deliver predictably)	▪ Velocity/burn-up ▪ Cycle time/lead time (Kanban)

Source: Gartner (May 2018)

Most agile teams use agile tools, which enable agile metrics (see "Magic Quadrant for Enterprise Agile Planning Tools"). Most PPM tools integrate with agile tools and enable reporting of agile metrics. PPM leaders must:

- Socialize agile concepts and metrics to the ITSC/ESC and finance, allaying members' concerns with logic.
- Find the available data, and report it up.

Near-Term Area No. 2: Enabling Better Resource Management

In theory, agile promotes dedicated product teams. In practice, many agile product teams have part-time resources. These resources generally fit into one of two categories:

1. Resources that can't be justified as full-time team members
2. Resources that can be dedicated full time

Database designers are an example of a resource that often can't be justified full time. They are absolutely essential, but only for brief periods of time and can't be cost-justified as dedicated team members. Cybersecurity and user experience experts are examples of resources or skills that most organizations can't dedicate full time because there simply aren't enough to go around. Assigning nondedicated resources to two or three teams, acting as coaches to team members, and facilitating communities of practice are common solutions. But they don't always work.

When the resources are not available to the agile product teams, it slows them down, which slows value delivery to the customers. PPM has experience with resource management that should provide value to agile product teams. Specifically, PPM can help with capacity planning, resource identification and resource scheduling. In "Agile at Scale," the authors suggest that creating a taxonomy of desired agile teams and comparing it against available resources to reveal talent gaps[1] are things PPM knows how to do.

Agile experts might state that this is heresy. Agile is a pull system. Predicting when a shared resource is needed is not possible with agile. Yet agile experts often point to Dr. Eliyahu Goldratt's "Theory of Constraints" (TOC), which seeks to identify and exploit constraints, and subordinate everything else to the system's constraints.[2] When the critical constraint is a scarce or nondedicated resource, it makes sense to have an inventory of these resources and "subordinate everything to the constraint," even if that subordination appears to temporarily violate lean agile principles. Extending TOC, it may also make sense to incorporate buffers around critical constraints. Eventually, the goal is to break the constraint — usually by hiring or training more of the constraining resources. PPM may assist with this, as well. Thus, PPM must:

- Maintain accurate resource availability information of nondedicated team members.
- Work with functional managers to evolve business rules to support fast and predictable resource delivery to product teams.
- Provide a platform for agile product teams to secure necessary nondedicated resources swiftly.

Enable Better Investments by Tailoring the Right Enterprise Agile Framework

Agile works really well for small projects and small teams. Enterprise agile frameworks arose in response to challenges in scaling agile in large enterprises. Agile is essentially bottom-up. Most enterprise agile frameworks lack a top-down component — particularly one to decide which large initiatives to fund or keep funding. Of the 12 representative enterprise agile frameworks reviewed, only four make provisions for investment portfolio decisions.[3] Following are the four enterprise agile frameworks that have a portfolio perspective:

1. **Scaled Agile Framework (SAFe):** SAFe's version of a portfolio is at the program or value stream level. It seeks to optimize investments toward a value stream, operating under the assumption that there is, in fact, funding for that value stream.[4]
2. **Disciplined Agile (DA):** DA's version of portfolio management is really aligned with products. While it supports portfolio management to determine what to fund within products, it assumes there is funding at the product level to draw upon.[5]
3. **Dynamic Systems Development Method (DSDM):** DSDM's approach to portfolio management, while also product-focused, allows for project portfolios familiar to PPM leaders.[6]

4. **Recipes for Agile Governance in the Enterprise (RAGE):** RAGE contains a portfolio level that views a portfolio as "the development and management of business initiatives that lead to program- and project-level work.[7]"

Virtually all of the enterprise agile frameworks with an investment portfolio aspect assume some level of constant funding. They then apply portfolio investment disciplines to determine which programs, value streams or capabilities to fund for a product. This is a good thing to do, but it's not the same thing as determining whether to fund the product at all. At some point, possibly now, senior leaders want to see that portfolio investments align with strategic goals. Tracking business value is currently an objective for approximately 60% of CIOs.[8]

Key Point — A PPM Portfolio and an Agile Portfolio Are Not the Same at All

PPM leaders are used to a more coarse-grained portfolio perspective than what exists in any of the enterprise agile frameworks. More importantly, senior leaders need good information on business value to make good business decisions.

Portfolio management constructs still have a place in upfront funding decisions and in downstream decisions to reduce or discontinue funding. They serve as a rational way for senior leadership to reconcile budgets to product portfolios. The name may switch to portfolios of products. Some refer to it as the "portfolio of portfolios," a tool to enable strategy realization and understand resource consumption.[9] Unless all products are customer-funded, there will always be a need to distribute available resources across products. Guiding this process will be the most important contribution that PPM can make to an organization.

Some organizations have adopted the product line construct. Product lines are end-to-end services that include all of the people, processes and technology required for the product line to thrive. Examples of product lines include claims management, professional services delivery and even financial management. Currently, organizations observed using this construct dedicate unrestricted resources and funding to product lines — usually as part of the annual budget planning process.

Technically, an IT leader can tailor any enterprise agile frameworks to socket into a conventional portfolio of product lines (or portfolio of portfolios). It's likely easier to do it with one that already includes some approach to investment portfolio concepts because the investment aspect is factored into the framework. A very real challenge will be working with two or more similar-sounding portfolios (e.g., product portfolio, product line portfolio, portfolio of product lines, feature portfolio). While this is semantics, it causes contention and must be reconciled.

After selecting an enterprise agile framework, tailor it such that it has a roll-up level. Whether it's called a product portfolio, a product line portfolio, or something else, disambiguate as necessary. Doing this allows senior leadership to make informed funding decisions as annual blocks for product lines or quarterly reviews for mixed portfolios of products and projects.

Enable Cross-Portfolio Comparison by Using Product Metrics

As digital business evolves, it becomes imperative for leadership to have the capability to make complex business decisions quickly. Product portfolio management provides this ability. To be clear, we are talking about top-line product portfolio management articulated by the likes of Robert Cooper, Scott Edgett and Elko Kleinschmidt.[10] We are talking about which products or product lines to fund and by how much. Product portfolio management is easily confused with agile product portfolio management, which determines which features to fund in a funded product. To be effective, however, product portfolio management must be capable of comparing across product portfolios or product lines.

As markets change, leaders must rebalance portfolios. Senior leaders often rebalance across portfolios by putting cost-cutting targets in one portfolio and reallocating to another portfolio. We witnessed this behavior in 2016.[11] Soon, it will become necessary to make more extreme, and possibly surgical, trade-off decisions across portfolios. Investments must, therefore, have some common denominators. While there appear to be common denominators, most organizations need to mature to make them useful. Table 2 shows the most common metrics for each portfolio.

Table 2. Metrics Common in Portfolios

Project	Product/Product Line	Application
Time, budget, scope, user acceptance/ adoption, NPV, IRR, ROI, stakeholder satisfaction, business benefit/outcome, project KPIs	Customer value, velocity, quality and organizational effectiveness	Business value, technical condition, total cost of ownership

Source: Gartner (May 2018)

It's common for each portfolio to contain:

- A measure representing business value
- A measure representing cost or spend
- A measure representing quality

These common units of measure enable senior leaders to compare investments across portfolios. PPM leaders must identify common denominators and refine them. They must also work with portfolio owners to enhance processes to collect refined data.

We are only now beginning to see organizations far enough down the agile and product transformations to be struggling with these specific issues. In one instance, senior leadership decided to take advantage of a market opportunity by acquiring complementary firms. Senior leadership reallocated the staff from its digital business initiatives to complete the postacquisition integration without good quality data to know if this was the best decision. It was reportedly quite painful. In another instance, an organization proactively recognized that the market life cycles of its digital products are dependent on the market life cycles of its physical products. Organizational leaders are seeking to tie the two together so they can reallocate resources from the digital products as the corresponding physical products' markets decline. Developing rational ways to decide what to fund is probably the biggest contribution PPM leaders can make to an organization.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Transform Application and Project Portfolios Into a Product Portfolio"

"Moving From Project to Products Requires a Product Manager"

"From Projects to Products — Three Essential Actions for Every CIO Aiming to Transform Their Digital Organizations"

"Use the Right Metrics in the Right Way for Enterprise Agile Delivery"

"Manage Your Foundation/Core System Investments as Products to Spur the Right Type of Innovation"

"Market Guide for Enterprise Agile Frameworks"

"The PMO's Role in Product Line Management"

"Toolkit: Using Gartner's TIME Model to Guide Core System Modernization"

Evidence

[1] "Agile at Scale," Harvard Business Review.

[2] "Become an Agile Superhero: Eight Attributes for Success."

[3] "Market Guide for Enterprise Agile Frameworks."

[4] "Portfolio Level," Scaled Agile.

[5] "The Disciplined Agile (DA) Framework."

[6] "Project Planning and Control." Agile Business Consortium.

[7] "Introduction to Recipes for Agile Governance in the Enterprise (RAGE)," CPRIME.

[8] "The 2018 CIO Agenda: Mastering the New Job of the CIO."

[9] R. K. Wysocki. "Effective Project Management: Traditional, Agile, Extreme." John Wiley & Sons, 2014.

[10] R. G. Cooper, S. Edgett and E. Kleinschmidt. Portfolio Management for New Products. Basic Books, 2009.

[11] "The 2017 CIO Agenda: Seize the Digital Ecosystem Opportunity."

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