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How a Strategic Portfolio Optimizes Value Streams

Are Your Strategies Working?

In a highly competitive market, there is no room for low-quality software, slow delivery, or waste. Which begs the question: How does your organization determine which software provides value? You can answer this question with another: How well does IT support your organization's business strategy? For example, if your business goal is to increase cash flow, do your IT projects support that goal?

In reality, your organization may have multiple strategies but limited funding to support all your objectives. So, you must compare your options and decide which ones support your strategies best, meaning you must manage a portfolio of options.

This article defines strategic portfolio management and value stream management and shows how strategic portfolio management can optimize your value streams.

Strategy Drives Your Portfolio

Project management and quality control are about doing things right—Strategy is about doing the right thing.

Your strategy gives your organization a roadmap and guideposts to follow. Maybe you want to focus on being the low-cost provider of a given product. Or you may want to become the vendor of choice for a wide variety of consumer goods. Your strategy informs your decisions, so strategy is the driver of portfolio management. It balances choices against their expected strategic value.

What Is Strategic Portfolio Management?

Based on your corporate strategy, your organization decides which activities to implement to deliver your vision. These choices link action to strategy. Many options compete for your resources—strategy helps you determine the priority they receive.

A strategic portfolio allows you to compare choices to one another in terms of metrics, such as cost, feasibility, and the degree to which they support your strategy. Strategy and decisions are part of your strategic portfolio and significantly impact your organization's success.

Your strategic portfolio contains activities and the associated metrics used to evaluate these activities. These activities must include new initiatives, those already developed, and those consuming resources to maintain their current functionality.

Metrics may vary from organization to organization. But each activity needs to be tied to an organizational strategy and have some measures of current and future cost, progress, and the value being delivered.

Creating a strategic portfolio of these competing activities provides you with a framework for making choices that best serve your organization's mission. Strategic portfolio management involves:

Determining how your organization aligns with and adheres to a given strategy.

Deciding your investment objectives.

Evaluating if the portfolio's choices support your objectives.

With this information, you can allocate investments to the choices expected to optimize the strategy, periodically re-evaluate portfolio decisions, and—if necessary—revise the allocation of assets.

What Drives Portfolio Management?

For each portfolio activity, you need to understand the value it's currently delivering. If it's under development, is it near completion, when is it expected to deliver value, and what is its expected impact? Are items in maintenance mode still delivering value, or do you need to deprecate them?

Strategic portfolio management requires establishing and collecting metrics that assist decision-makers. You need to determine if development is progressing on schedule, whether there are quality issues or backlogged tickets, and when the activity will begin delivering value. Metrics provide information to help you determine resource distribution.

What Is Value Stream Management?

The information you gain from strategic portfolio management gives you insight into where the activity is in the value stream and where it's lagging.

A value stream is a process or set of processes that bring value to a business. Building a software service is a value stream. Each stage, from planning to production, adds something to increase the value of the work in progress.

In a billing service, you have a value stream that may begin by calculating the amount owed, go through additional steps, and end with money collected. IT provides the software that enables these processes. If software accelerates the billing process or reduces collectibles, it improves the business's value stream.

Value stream management (VSM) builds on processes followed in frameworks like Agile and DevOps, which provide IT teams with tools to measure the effectiveness of their development and delivery processes. These measurement tools link the metrics to the value that software development brings to a business. VSM regards software as an investment to manage.

For VSM to work, the business and IT must agree that the software's function adds value. VSM gives the business insight into how quickly or effectively IT processes provide value.



Optimizing Your Value Streams

With many projects in development, your organization needs visibility into the value stream each will deliver. VSM gives you information to inform portfolio management. It collects and analyzes the metrics across all projects, showing you how projects are progressing.

These decisions might be relatively easy when there are few development projects. But as the number increases, decision-making gets more difficult. There may be multiple teams working on interdependent solution components. And the work involved in maintaining visibility across projects and managing them increases exponentially.

Where portfolio management provides the prioritization to enable decision-making, VSM gives you the information to make those decisions. VSM helps you understand where to apportion resources to maintain value delivery and support your organization's strategy.

To make the right decisions, you need the right data, which you can collect with numerous tools. You're probably already using tools to track agile project management, quality, performance, functional testing, and operations.

Unfortunately, these tools collect information in separate streams that need to be integrated and assembled to provide complete analytics on where the entire value stream is. Your teams may use different tool sets to capture the same information, which makes it harder for you to know what's working.

Putting This into Practice

Getting the right data to decision-makers at the right time requires integrating and analyzing all elements across the value stream, from strategy to operations. VSM tools provide you with all the information and analytics you need to make a decision. However, many VSM tools don't start with strategy, focusing only on accelerating the flow of development and operations. Using portfolio management principles to guide your value stream processes is the only way to give context to the metrics your Agile teams deliver.

Many measures used in Agile environments provide key information for VSM. For example, Agile tools routinely collect lead time and cycle-time measures. Lead time tells you the time it takes from an idea's presentation to its implementation. It's a planning variable. But because ideas have different value, portfolio management provides information on prioritizing the projects and shows you where you're spending the most effort.

Another metric is cycle time—the time developers have to work to deploy a change. But all changes are not of equal value. This information is integrated using VSM so that you can use portfolio management to determine the resource deployment that delivers the most value.

A key to effective VSM is to assemble and analyze various metrics across projects, even if these projects use different tools to collect these metrics. You can simultaneously decide where to allocate resources to projects at various value stream stages in concert with portfolio management.

ValueEdge Connects Strategy to Value Delivery

[ValueEdge™](#), our VSM and DevOps platform, accelerates your decision-making abilities. ValueEdge allows you to create an environment that keeps you informed of the flow of value through your digital pipeline. At every stage of your value stream, ValueEdge provides you with the visibility and agility to make decisions that lead to success.

ValueEdge collects data across your projects. Its integrated artificial intelligence (AI) and machine learning (ML) capabilities provide suggestions to accelerate value delivery.

ValueEdge bridges business and development by providing a platform that consolidates and analyzes the information that development is already collecting on its progress to delivering value. It consolidates that information so you can adjust resources to support your strategic portfolio. And because ValueEdge integrates with your existing toolchain, you can easily adopt it without disrupting your development efforts.

Make Your Decisions Count

Strategic portfolio management and VSM work together to optimize your organization's value streams.

Portfolio management helps you understand your projects' strategic value to your organization, so you can decide where to allocate your resources.

VSM involves capturing and analyzing various metrics associated with a project's progress so you can make choices that add value to your organization. The analytics may include a dashboard or incorporate AI and ML to aid decision-making.



Start making more strategic—and more effective—portfolio decisions today by learning more about ValueEdge.

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