Portfolio Management using the Lean Canvas

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agile42 is a market leader in providing agile transformation services to companies looking to adopt a more efficient and adaptive way of working. By continually refining our approach, agile42 has developed a unique and proven framework for supporting organizations in realizing the benefits of agile & lean practices. We provide assessment, strategic consulting, training, and coaching to get you results. Our customers regularly confirm that they achieve:

- Accelerated revenue generation
- Faster Return-on-Investment
- Improved technical quality
- Rapid delivery to market
- Increased team motivation
Highest
Paid
Person's
Opinion

Photo: Rory Mizen
Adaptive Portfolio Credo: We Value...

- Optimizing the holistic portfolio over protecting departmental budgets
- Courage to change over following a plan
- Ability to evaluate the portfolio on a frequent basis over infrequent (i.e. annual) planning cycles
- Responding to emerging opportunities over sticking to the plan
- Maximizing value over managing cost
- Collaborating on decisions over centralized authority

Scrum Coach Retreat, December 2011
Lean Canvas: Ash Maurya

1. Problem
   top 3 problems

2. Customer segments
   Target customers

3. Unique value proposition
   Clear compelling message. Why makes you different?

4. Solution
   top 3 features

5. Channels
   Path to customers

6. Revenue streams
   Revenue model, life time value, revenue, gross margin

7. Cost Structure
   Customer acquisition, distribution, people, etc.

8. Key metrics
   e.g. AARRR

9. Unfair advantage
   Not easily copied or bought

Lean Canvas, from Ash Maurya: Running Lean. Licensed under Creative Commons-Attribution-Share Alike 3.0
Validated Learning: the Build-Measure-Learn cycle

1) What do we need to learn?

2) How can we measure it?

3) What is the simplest thing to build that would let us measure?

Eric Ries: The Lean Startup
### Lean Project Canvas

**Problem**
- Top 3 problems
- Existing / alternative solutions

**Customer segments**
- Early adopters?
- Channels
  - Path to customers

**Success metrics**
- Leading and lagging indicators

**Possible solutions**
- Key features & benefits for customers & business

**Business readiness**
- What is needed to deploy and support the solution?
  - (Staff, budget, training, systems, support, operations dependencies on projects/vendors)

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**Business value**
1. User & business value
2. Cost of Delay (urgency)
3. Risk reduction/opportunity enablement
   + Objective justification

**Cost of delay**
- Linear

**Costs**
- People, training, capital, marketing, etc.
  + Objective justification

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**Market**
1, 2, 3, 5, 8, 13, 21

**Product**
1, 2, 3, 5, 8, 13, 21
Cost of Delay profiles

Cost of Delay is the cost we incur by delaying delivery of a product, due to lost revenue or unrealized cost savings.

Kenny Rubin: *Essential Scrum*
### Example: Inventory visibility for distributors

<table>
<thead>
<tr>
<th>Problem</th>
<th>Customer segments</th>
<th>Success metrics</th>
<th>Possible solutions</th>
<th>Business readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Distributors don’t know inventory and must call to find it. • Extra call volume</td>
<td>• Distributors</td>
<td>• Inventory inquiry calls decline 50% • Large orders increase by 5% • Customer retention up by 2% (6 months in)</td>
<td>• Integrate ERP inventory to order system &amp; web site • Show estimated ship date on orders</td>
<td>• Marketing to advertise feature • Warehouse staff to test ERP integration • Setup to measure # inventory inquiry calls</td>
</tr>
</tbody>
</table>

#### Channels

- Web site
- Advertise to distributors

#### Business value

- Large order increase: $100k/year
- Customer retention up 2%: $100k/year
- $50k/year in reduced call volume

#### Cost of delay

![Linear delay cost graph](image)

#### Costs

- Web site development: Small
- ERP integration: Small
- Marketing: Small

#### Market

1, 2, 3, 5, 8, 13, 21

#### Product

1, 2, 3, 5, 8, 13, 21
Business Value Game™

What is the relative value of these features of a car?

1) 30 mpg fuel economy versus 20mpg (Baseline: 5)
2) leather seats
3) seating for 7 people (versus 4 people)
4) 100,000 mile warranty
5) side curtain airbags
Estimate the *relative* value of projects in a portfolio

|
|---|
| 1 |
| 2 |
| 3 |
| 5 |
| 8 |
| 13 |
| 21 |
Process for Business Value Ranking

1. Stakeholders and Product Owners prepare canvases. Optional: limit number per stakeholder

2. Review & validate canvases for completeness & understanding - ahead of time

3. Select appropriate group of voting stakeholders and a neutral facilitator

4. Brief “sales pitch” for each project, based on the canvas
Process for Business Value Ranking (2)

6. Choose a baseline project/canvas, assign it a mid-range point value. Can shift up/down later if necessary.

7. Business Value Game™,¹; assign the relative value of each project, *without considering cost/effort* (Alternative: Buy a Feature²)

8. Delivery teams estimate cost/effort. Calculate ROI, or WSJF (weighted shortest job first)³

9. Prioritize & allocate investments: (1) ROI (WSJF), (2) cost of delay (3) people/resource constraints

¹agile42 ²Innovation Games® ³Dean Leffingwell: Agile Software Requirements
### ROI calculation & project priority

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Value</th>
<th>Effort (cost)</th>
<th>ROI</th>
<th>Priority?</th>
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<tbody>
<tr>
<td>A</td>
<td>15</td>
<td>3</td>
<td>5</td>
<td></td>
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<tr>
<td>B</td>
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<td>5</td>
<td>3.2</td>
<td></td>
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<tr>
<td>C</td>
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<td>8</td>
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<tr>
<td>D</td>
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## ROI calculation & project priority

<table>
<thead>
<tr>
<th>Project</th>
<th>User value</th>
<th>RR&amp;OE value</th>
<th>Time value (CoD)</th>
<th>CoD profile</th>
<th>Total Value</th>
<th>Effort (cost)</th>
<th>ROI</th>
<th>Priority?</th>
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*RR: Risk reduction.  OE: Opportunity enablement.  CoD: Cost of delay*
High Paid Person's Opinion

No HiPPOs allowed!

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http://www.agile42.com/en/blog/2013/04/11/lean-project-canvas/

Photo: Rory Mizen