

From Project Management To Value Management, Via the Agile VMO[®]

How to Be a Value Manager in the Age of Agile

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The world of work continues to accelerate causing continuous market disruption, including to our own worlds of project management and program management. Technology is breaking down barriers between industries and markets, increasing competition and redefining what is possible on a continuous basis. Data from the innovation consulting firm Innosight indicates that the average lifespan of a company on the S&P 500 was around 35 years in 1964, shrinking to 24 years by 2016. By 2027, the time a company spends on the S&P is projected to be closer to 12 years. This will put enormous pressure on all within our organizations; and we as project and program managers will undoubtedly be significantly impacted.

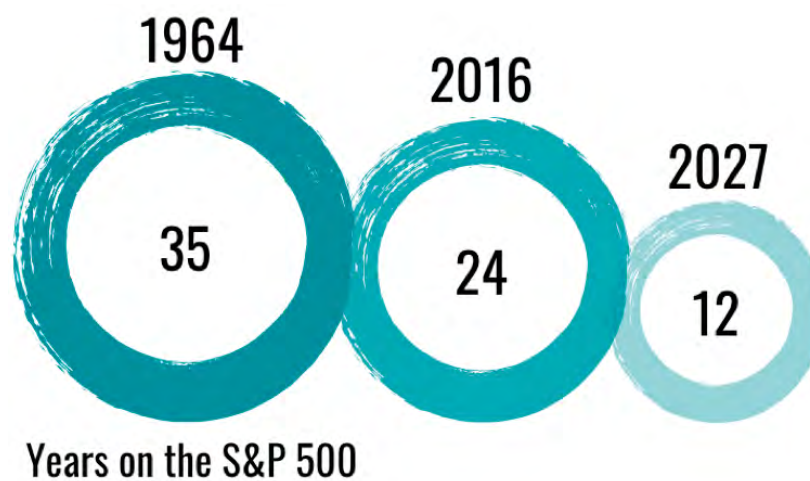


Figure 1: Adapted from The Average Company Life Span on the S&P 500 Index, Innosight
Sources: Data from Innosight

“Successful organizations are able to pivot and implement quickly in order to achieve competitive advantage.”

In this turbulent environment, our windows to satisfy our customers are becoming ever shorter with a constant demand for more value without the wait. The only way for us to respond is to deliver results more quickly, **reducing the time from need to business outcome to its absolute minimum**. To ensure that the right outcomes are met, learning and pivoting as quickly as possible along the way becomes essential. As Steve Denning puts it, “Successful organizations are able to pivot and implement quickly in order to achieve competitive advantage.”²

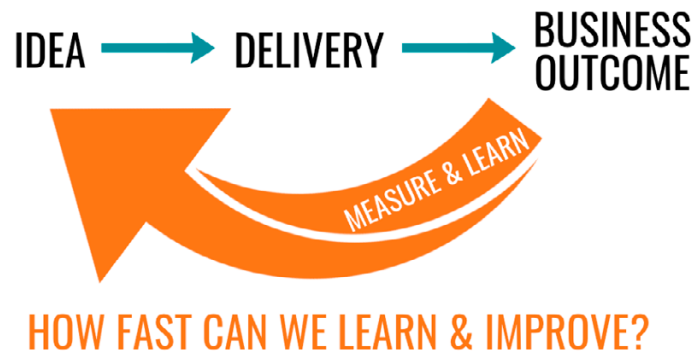


Figure 2: Rapid Delivery and Learning Drive Business Agility

Over the last few years, organizations have attempted to address these pressures and improve business agility by shortening planning windows, reducing project size and increasing delivery cadence. But that’s not enough. Many leading organizations have already evolved Information Technology (IT) departments **from a project-based culture** to a product-based culture where teams are stable and functionality is released through continuous delivery. That model is also rapidly expanding beyond IT – leading companies like Haier Corporation and the Vinci Group have blown up their bureaucracy, employing small, self-managing teams connected via entrepreneurial networks rather than top-down hierarchies.

Organizations are moving away from large infrequent releases of features and services to steady delivery of value in very short cycles. **This new model stresses long-term product and value management** where the concept of a traditional project with a fixed end date or scope is replaced by a continuous delivery model that goes on for years. The traditional constraints of schedule, cost and scope are subordinated to a relentless focus on delivery of value to the customer, with fixed product teams that stay together over the long term to own and manage their product. Slicing and dicing of resources and time allocations is replaced by a fixed cost arrangement which is far simpler to track and manage. With the unit of allocation as team sprints, cost management becomes much more predictable.

So, **where does that leave project and program managers and the traditional Project Management Office (PMO) as a whole?** Are these traditional guardians of strategic and organizational change initiatives no longer required? On the contrary, they have never been more important.

Here are five ways current Project Managers (PMs) and Program Managers (PgMs) can transition into Value Managers to support the agile organization.

1. Organize an Agile VMO to enable flow, feedback and continuous learning on end-to-end value stream teams

Optimizing business outcomes in a continuous delivery environment requires a focus on **flow of work**. This is a measure of how quickly and consistently work moves through an End-to-End Value Stream team, **which owns and manages all work activities from discovery through delivery**.

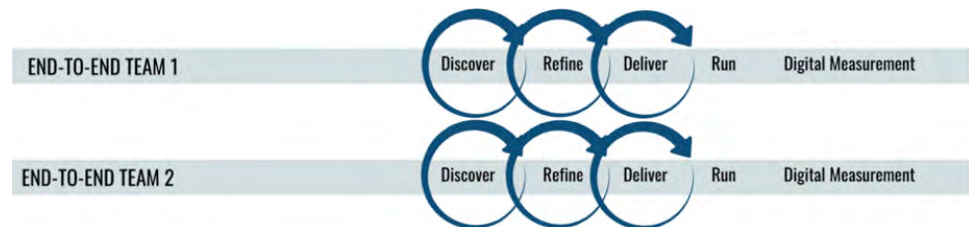


Figure 3: End-to-End Teams are the Drivers of Rapid Delivery

“To fully understand what is going on, and to do something about it, requires a complete understanding of the total workload...”

The best way we can begin to enable an end-to-end flow of work is to first measure it and then use the resulting feedback to improve. We can measure flow in a number of ways, including: throughput, cumulative flow, and work in progress. Each organization and department must decide which flow metrics are appropriate for them. However, flow metrics cannot be used in isolation. They have to be employed alongside planning and capacity metrics. When organizations only measure the work that is underway, they only see part of the picture. To fully understand what is going on, and to do something about it, requires a complete understanding of the total workload, or the maximum amount of work that can be undertaken.

This is clearly an area where our End-to-End Value Stream teams can benefit from management knowledge and can be managed above the teams at what would traditionally be the PMO or project management office level. So, the PMO must itself evolve to support the new delivery model by morphing into an Agile Value Management Office – Agile VMO®.

The agile element reflects more than agile project delivery methodologies, although continuous delivery certainly aligns with those principles. It relates to business agility – **the creation of an organizational model that is designed to adjust and adapt to a constantly shifting environment**. Agile businesses are continuously monitoring threats and opportunities and responding with the minimal delay. At the highest level of performance, business agility can help organizations not only to sense and respond to change but to create disruptive change, allowing these companies to shape their industry.

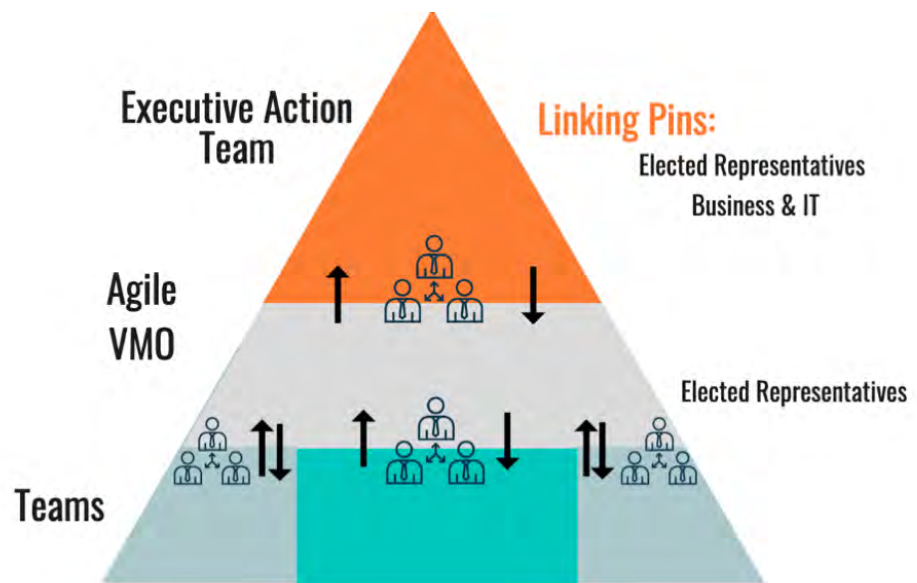


Figure 4: An Agile VMO Enables Flow, Feedback and Learning on End-to-End Teams

Without an effective Agile VMO, organizations will struggle to deliver consistently. Organizational agility obviously requires considerable effort to translate leadership adjustments into effective work execution, and that’s where the value management element of the Agile VMO comes in. The need to juggle numerous variables and optimize return on investment means this is an area where skilled project and program managers can excel. Experienced PMs and PgMs operating in the Agile VMO must constantly adjusting the prioritized backlog of work and work currently in progress to ensure that executive leadership’s adjustments translate into optimal performance. They must recognize that work complexity, volume, distribution, risk, etc. will all impact capacity and must factor those elements into the scheduling and prioritizing across the entire enterprise.

2. Transform project management skills into value delivery skills for optimum personal leverage

“...Achieving [business value] requires appropriate governance and oversight to ensure that the work done is aligned with, and leads to the desired outcomes.”

In the larger analysis, it doesn't matter what we call our work – project or product, how we structure our teams, or how frequently those teams generate outputs: the focus of those teams and their work must **be on constantly optimizing the business value achieved**. Since this value is measured in terms of business results and maintaining optimal performance, achieving it requires appropriate governance and oversight to ensure that the work done is aligned with, and leads to the desired outcomes.

Managing this alignment is an ongoing effort, usually across multiple End-to-End teams. Progressive elaboration of plans combined with shifting opportunities and challenges in the business environment result in a dynamic and unpredictable situation environment. When changes have to occur, they must be made swiftly, decisively and with minimal disruption. None of that happens by chance; it requires intelligent management that balances objective information with subjective interpretation of that information. It demands brave leadership that is prepared to make decisions early, committing to them with an incomplete understanding at times. This helps to ensure the cost of change is minimized while the impact of that change is optimized – in today's world decisions cannot always wait until certainty is obtained.

Thus, there still needs to be a form of governance and oversight of the work being done, but with self-managed and persistent teams that governance is less about 'what' is being done or even 'how' the team is doing it. Instead, governance focuses on 'why' – ensuring the right work is always being prioritized and executed. It also provides an independent perspective on the effectiveness and efficiency of the work being carried out.

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That level of leadership and decision making can't emerge automatically from self-managed teams, no matter how skilled or experienced they are. Instead, **it requires guidance and enablement from someone who is not as engaged in day to day delivery**, but close enough to understand the implications of any proposed changes, and who is **keenly focused on end customer outcomes**. Today's project and program managers understand that their initiatives are only approved and funded because of the business outcomes they enable. They get that the idea of succeeding if you deliver on time, on scope and on budget is outdated.

Today's PMs and PGMs can readily adapt to a different work execution model that replaces large batch, packaged releases with ongoing small batch releases or streams of deliverables. At the same time, project managers accustomed to operating in a highly change focused environment are always ready to adjust to new demands and support the End-to-End teams as they adapt to those changes.

3. Actively manage the Portfolio Backlog for rapid throughput and adaptability

In agile delivery, the concept of a Product Backlog is well understood. It's the set of features that are waiting to be built and that are pulled by an Agile Team as they have the ability to work on those features. The sequencing of items in the Product Backlog is subject to change over time and must therefore be actively managed using economic prioritization techniques. The very same thing applies at an organizational level with the concept of the **Portfolio Backlog**.

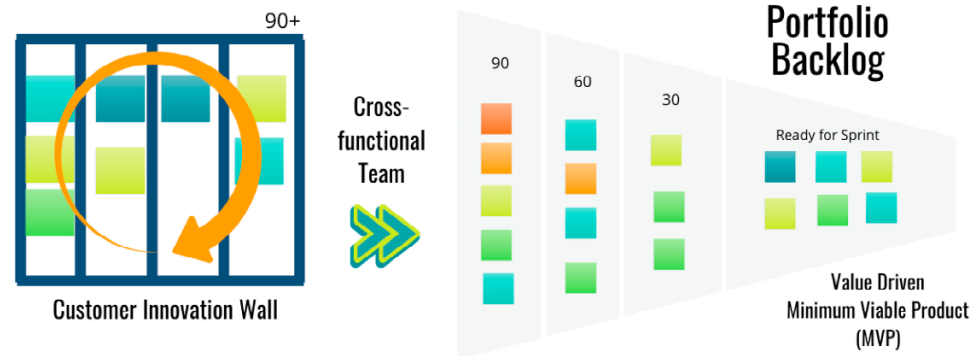


Figure 5: A Portfolio Backlog Enables Higher-Level Prioritization, Optimization and Experimentation

In some cases, the items in the Portfolio Backlog may represent entire projects or larger packages of functionality, but with the move away from projects to more stable teams, the Portfolio Backlog will begin to resemble more of a consolidation of Product Backlogs. However, the variables that impact the prioritization of those features in the Portfolio Backlog, or even whether those features stay in the Backlog at all, are far greater.

Portfolio management as a concept has existed for some time, but few organizations do it well. For many it is simply a roll-up of project reporting. Even in organizations that try to be more proactive in their portfolio management approach there are barriers in the form of legacy planning and project delivery approaches.

With an Agile VMO, the Portfolio Backlog must be considered the 'shock absorber' of effective work execution. It sits between the leadership team that defines goals, approves work and manages change and the teams that execute that work to enable business outcomes. As adjustments are made by leadership, the portfolio backlog is updated to reflect those shifting priorities. Similarly, as work is completed, new items are released from the backlog. When variances from plan occur on the End-to-End Teams, further adjustments are made within the Portfolio Backlog to ensure the highest priority work is always underway and at the front of the queue. Effective Portfolio Backlog management by the Agile VMO allows the organization to operate at the highest delivery velocity because it minimizes disruption and maximizes return on work.

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Managing this Backlog requires constant attention. Just as a vehicle’s suspension is in constant motion ensuring the journey is as smooth as possible, so Portfolio Backlog management is a constantly shifting exercise to make certain that work is always focused on optimal value delivery. Agile VMOs made up of experienced project and program managers must be integrated with leadership teams to absorb adjustments and translate them into shifting priorities. Project managers must also be integrated with the End-to-End Value Stream teams to ensure that work transitions to the teams smoothly. This requires communication of not just the work required but also the context for that work so that the teams can, in turn, continually adjust and align their approach to the organization’s needs.

4. Establish a disciplined decision-making process with radical transparency for faster decision velocity

While the work has moved from the Portfolio Backlog to Product Backlogs owned by End-to-End Value Stream teams, that doesn’t mean that the need for that work to be managed has been removed. Organizations have to continuously deliver solutions to market as quickly as possible without compromising quality, and that means decision making must occur as close to work execution as possible, and as quickly as possible.

All of the factors that impact the ability of the outputs of that work to achieve the required business outcomes still apply. There are also now additional variables in the form of delays or challenges in execution; as well as opportunities identified during dependency management and risk management. In most situations the only people with enough insight to determine how to deal with those threats and opportunities, or how to respond to changes during work completion, are the team members themselves.

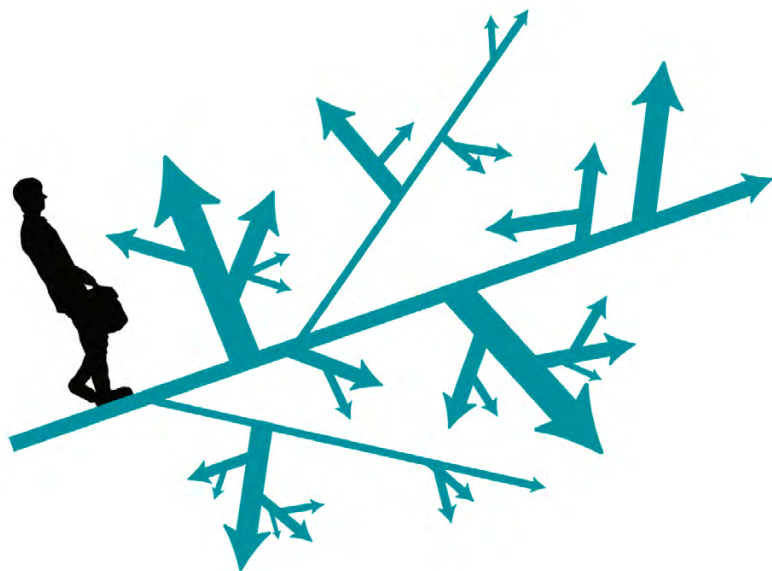


Figure 6: A Disciplined Decision-making Process with Radical Transparency Accelerates Decision Velocity

“Any requirement for external approval of changes builds in delays while those approvals are sought and increases the risk that situations will be misunderstood or misinterpreted.”

“As members of the Agile VMO, PMs work to understand the drivers of the work, the reasons for leadership prioritization. They then deeply internalize and continuously communicate context around business and customer outcomes.”

In order to maintain not just alignment, but also the speed of delivery that modern organizations require, decision making must be as close to work execution as possible. The people performing the work have the best understanding of the challenges they face and the solutions that are likely to work so they should be empowered to make those decisions. This is a double-edged sword any requirement for external approval of changes builds in delays while those approvals are sought and increases the risk that situations will be misunderstood or misinterpreted.

Clearly, because of the potential damaging ramifications of End-to-End teams operating out of alignment with an Agile VMO and an organization’s strategic direction, we cannot abruptly tell End-to-End teams they can make completely independent decisions and expect things to go well. Two aspects are simultaneously critical: decision-making on teams needs to be aligned with the overall strategy and direction of the organization and teams need to be empowered with a disciplined decision-making process. Our teams need to be given the right skills, they need to feel empowered, and they need to be supported in the process – regardless of whether the decisions they make turn out to be right or wrong. This is where experienced project managers come in, **establishing a disciplined decision-making process that is radically transparent to accelerate decision making velocity.**

PMs can combine a practical understanding of the work being undertaken with superior leadership skills to help create an environment where teams can succeed, and decision making is accelerated. From a work management perspective, the focus is on context. As members of the Agile VMO, PMs work to understand the drivers of the work, the reasons for leadership prioritization. They then deeply internalize and continuously communicate context around business and customer outcomes. They interpret background information and present it to End-to-End teams as a purpose and reasoning for why the work has been approved, why now, how it relates to other work and how the ultimate deliverables are going **to support the goals of the organization and to accelerate decision making velocity.** That context setting is critical, but it is only the beginning. **The harder part is establishing a disciplined process to ensure that team members feel empowered to make decisions around that work and confident in their ability to do so.** The organization must take accountability for developing analysis and decision-making skills, but it’s not these ‘hard skill’ elements that are difficult. Rather, it is creating an environment where teams believe they will be supported regardless of the decisions they make, that they won’t be criticized or second guessed and that they won’t be undermined by higher levels of the organization.

This is where project managers can help the organization to excel and accelerate decision making velocity. They **establish a consistent process and provide positive coaching and reinforcement to team members**, helping them to deliver belief in their ability to make the right decisions about their work. At the same time, they provide protection to the team, not allowing criticism of decisions or interference in the process. The risk is that sometimes wrong decisions will be

made, but that is still better than the guaranteed delays that will occur if teams are not empowered to make those choices. Teams will only be confident and comfortable with that decision-making role if they see that they are actively supported, and **that's where PMs can make all the difference.**

5. Become a Value Manager: Take control of your future in the age of Agile

“Project management must evolve—a shift to a ‘value manager’ role that reflects the focus on delivering consistent business outcomes.”

One of the advantages of permanent, stable End-to-End teams is that they allow for experts to be utilized where they add the most value. By eliminating the traditional dynamic resource allocation model used in projects, the potential for delays and bottlenecks created by waiting for experts to become available is greatly reduced. That directly contributes to the ability to deliver more work, more quickly, and with consistency. **This concept applies just as much to project management skills as it does to other roles.**

Many of the elements we have discussed previously are core project management disciplines – prioritizing work, juggling multiple priorities, managing numerous stakeholders and of course leading and empowering teams. The fact that work is increasingly being conducted outside of a traditional project model **doesn't negate the need for these skills. In fact, it makes them even more critical because the need for consistent speed and quality has never been higher.**

Project management must evolve – a shift to a ‘value manager’ role that reflects the focus on delivering consistent business outcomes is appropriate, and the discipline and skills of project management remain exceedingly valuable. If project managers are not appointed to these functions, then they will be left to other roles. Those roles won't have the same combination of skills and experiences as PMs, and they won't have the same drive or focus simply because project management isn't their core function. The role is undoubtedly evolving, and it will continue to do so, but the changes do not have to be radical or highly disruptive.

We believe organizations must carry out these steps to succeed in redefining the role of the PM:

- Evolve project management to focus on customer value through benefits delivery / value attainment
- Provide PMs with business management skills to supplement project management, and redefine the PM role as an integral part of the Agile VMO
- Empower PMs to drive and enable flow, feedback and learning; and hold them accountable for business performance
- Transform PMOs into Agile VMOs or Agile Value Management Offices that drive the achievement of business outcomes using modern lean and agile techniques, controls, metrics, and structures.

The first of these should already be underway. Regardless of how we structure work, the only way organizations generate a return on their investment in change is through the attainment of business benefits and the delivery of value. If we aren't managing our work to achieve those goals, there is a fundamental problem that must be addressed. Focusing on value delivery also implies the need for project managers to have new skills. That is, unless PMs have the skills to understand the factors that impact the organization's ability to compete and win, they will never be able to ensure value is optimized. PMs must be viewed as business partners and provided with business skills training as a supplement to the project management skills they already have.

In order to empower project managers to support and lead work teams, they need to have an element of accountability. In their evolving role as value delivery managers, PMs will be held jointly accountable on the Agile VMO for the business outcomes. This gives them the motivation to motivate and guide End-to-End teams to become autonomous decision makers, driving business results instead of just executing work. When integrated across the entire organization, this will create a delivery engine that optimizes change work to achieve relevant business results.

“The role of the project manager needs to change in the age of Agile.”

Conclusion

Project management skills remain critical to the success of organizations, but the role of the project manager needs to change in the age of Agile. Regardless of how change focused work is structured, the need to deliver effective solutions that enable business outcomes to be achieved has never been greater. That doesn't happen by chance, **it happens because flow, feedback and learning are enabled and institutionalized across the organization.**

Organizations must first provide a formal structure to support this transformation, and that's where the Agile VMO comes in. By reimagining the often administratively focused PMO model as a results-focused Agile VMO, organizations can align the approach taken to strategic and change work with the purpose of that work – business outcomes. By investing in Agile VMOs, organizations can create well integrated offices accountable for all elements of strategy and change from initial planning through progressive elaborated re-planning, as well as accelerated decision-making velocity and the proactive management of the portfolio backlog and optimized execution of work.

More importantly at the personal level, **project managers can help drive the future in the age of Agile by investing in value management skills.** By shifting from a project to product mindset, enabling flow, feedback and learning; as well as helping actively manage the Portfolio Backlog and setting up the processes for decentralized decision-making, these newly minted Value Managers can help their organizations rapidly respond to changing customer needs and deliver true business agility.

References

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2. Steve Denning, PMI's *Pulse of the Profession*® Report 2015

About LitheSpeed



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