Written by
Cesario Ramos

Aligning Money and Strategy

The Leaders Guide To Portfolio Management in Creating Agile Organizations

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Executive Summary

Portfolio management is how we decide where money and people go across customer facing units, business units and platforms so that our investment supports our strategy in resourcing, not just in slides.

When Strategy and Spending Don't Match

When money and capacity allocation does not match strategy, business performance goes down while costs and complexity grow. Many initiatives might run at once with no clear focus driving strategies. Many things are called a priority, but budgets and capacity stay much the same. Great ideas have to wait for funding, while weak ideas, not supporting strategy, keep going just because money was given to them in the past.

And to be clear, a big driver of this problem is the habit of approving work as a stream of small tickets, initiatives, or projects one by one. That's exactly what to avoid. The goal is to make the big choices visible and steerable, so strategy, spending, and capacity move together.

This all means that funding and current reality are out of sync. Groups might learn fast but cannot shift resources, and money keeps flowing where it no longer should.

Such a setup creates long chains of meetings and discussions, driving up coordination costs and making idea-to-result very slow. IT and the back of the organisation become overloaded.

Over time, this quietly increases cost, risk and complexity, without one place where these choices are really aligned with strategy.

How Portfolio Management Works in CAO

In CAO, the organisation is built around three enterprise roles.

- Product groups that develop assets. Each group contains value areas that represent a coherent chunk of customer value.
- Commodity platforms at the back that build for efficiency and scale.
- Go-to-market units at the front that coordinate value creation in the market.

In CAO, portfolio management is the way we decide how money and capacity flow across these three layers: which product groups to grow, maintain or exit; which value areas inside each product group get more or less investment; and which platforms to build, extend or retire to balance cost, risk and new capabilities.

It runs as three linked portfolios:

- Global portfolio
  - Decides which Product Groups / BUs to Grow / Maintain / Exit
- Product group portfolio
  - Decides how each PG invests across its Value Areas
- Platform portfolio.
  - Decides which shared commodity platforms to build, improve or retire

It focuses leaders on a limited number of clear bets. In other words, portfolio management here is not about approving small projects and features, but about aligning market, product and platform units, deciding which bets get real money and which do not.

Why This Model Matters

This operating model gives management clear ownership of results. It also gives product groups and value areas clear goals and creates sharp accountability. The loosely coupled product groups and self-service platforms shorten lead times and reduce coordination overhead.

That setup is reinforced by governance. Global and product group portfolios make strategy visible in how money is actually allocated. Shared commodity platforms portfolio cuts duplication and structural cost while keeping product teams moving fast.

And when you have a consolidated front (regions, countries, channels), the global portfolio does not pick products or regions in isolation; it picks product–market plays, so product investment, platform capacity and commercial focus line up around the same bets.

Portfolio Management in CAO

Creating Agile Organisations (CAO) is a systemic way to align organizations design with how you execute strategy. It is not just about making teams “more agile.” CAO shifts the focus from projects to products and platforms, and from functional silos to end-to-end product groups that own both the proposition and the delivery behind it. A key part of this is that money and capacity follow the strategy. If that does not happen, the organisation still slows down..

Pain Points In Traditional Setups

The same four problems keep resurfacing in different forms: lack of focus, funding that doesn’t reflect what we learn, change that overloads the back of the organisation, and rising cost and complexity in the background. A main reason is the habit of approving work as a stream of small tickets, initiatives, or projects one by one. That’s exactly what to avoid. The goal is to make the big choices visible and steerable, so strategy, spending, and capacity move together.

No clear focus, everything is a priority
When money and people do not match strategy, focus is lost. Many things run at once, so nothing truly leads. Everything is called a priority, but budgets and capacity stay much the same. Great ideas that fit the strategy have to wait for funding. Weak ideas keep going, just because money was given to them in the past.

Example
The mgt says, “Instant Lending is our top bet.” But the leding team is still the same size as last year. At the same time, three old projects keep their full budget. The “top bet” moves slowly, while low-impact work continues at full speed.

Funding and learning are out of sync
Teams often learn fast from customers and data. They see which ideas work and which do not. But funding is fixed for the year, so they cannot move people and budget to follow what they learn. Money keeps flowing to work that no longer fits reality, instead of to what now matters most.

Example
A Product Group runs experiments and finds that one feature drives a big jump in usage. To scale it, they need more resources. But their budget is locked.. They know where the value is, but they cannot shift capacity to it.

Change requests overload the back units
Uncontrolled change requests pile up. Changes in the back need custom work and coordination across many departments. IT, Operations and others all get involved.. This overloads IT and the back of the organisation and makes every change slow and expensive.

Example
Marketing wants a simple offer tweak. Risk wants a rule change. Operations wants a new report. Each request becomes a separate ticket for IT, with its own analysis, build and test. None of these are big on their own, but together they fill the pipeline and delay more strategic changes.

Cost, risk and complexity rise in the background
Because decisions are not guided by a clear portfolio, different units build their own versions of the same basics. Each choice looks small and reasonable on its own. Together they create too many systems, more links and more failure points. Cost, risk and complexity rise, without one place where these choices are checked against strategy.

Example
In a product company, three product groups all need sales reports. One builds dashboards, one buys a custom reporting tool, and one gets nightly Excel extracts from IT.

Taken together, these effects make it hard to win in your chosen markets, even when you have good people and good ideas. A better way to steer where money and people go is needed if strategy is to become real.

How the CAO Approach Helps

CAO works by starting from strategy: clarify strategic focus and target business outcomes, then define the capabilities you need to win. You study current operations and assess current versus desired capabilities to see what capabilities to keep, strengthen or build because it is missing. From there, you design the organisation systemically, using CAO guidelines to align structure, processes, people, and portfolio decisions so that the org-design directly supports the strategy.

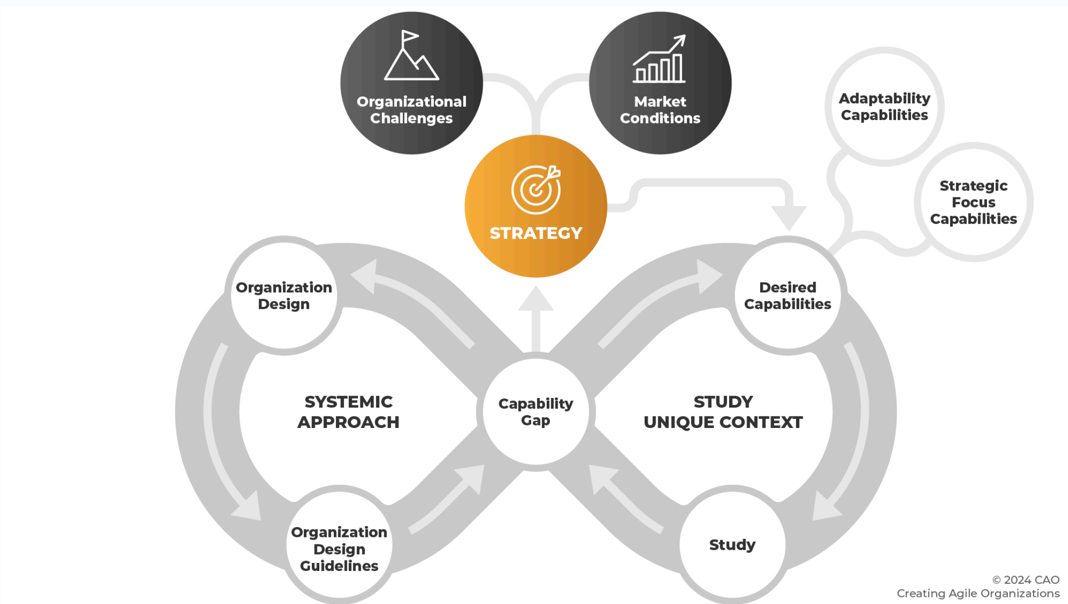


Figure 1. Creating Agile Organizations overview.

CAO works across different organisational models, such as the Front–Back and its three main variations:

- Consolidated Front, Differentiated Middle–Back;
- Differentiated Front–Middle, Consolidated Back; and
- Consolidated Front, Differentiated Middle, Consolidated Back.

In each of these shapes, the core principles stay the same, but the way portfolio management works varies slightly: which decisions sit in the Front, which in the Product Groups in the Middle, and which in the shared Back platforms.

Without portfolio management, you end up with adaptable groups inside a non-adaptable investment system: teams can move fast, but money and people stay stuck.

Overview Portfolio Management In CAO

In CAO, the organisation is built around three enterprise roles.

- Product groups (PG) that develop assets. Each group contains value areas that represent a coherent chunk of customer value.
- Commodity platforms at the back that build for efficiency and scale.
- Go-to-market units at the front that coordinate value creation in the market.

In a CAO design with product groups, value areas inside each PG, and shared, self-service platforms at the back, portfolio management is the missing link. It is how you allocate money and capacity across product groups at enterprise level, value areas inside each product group, and shared platforms at platform level.

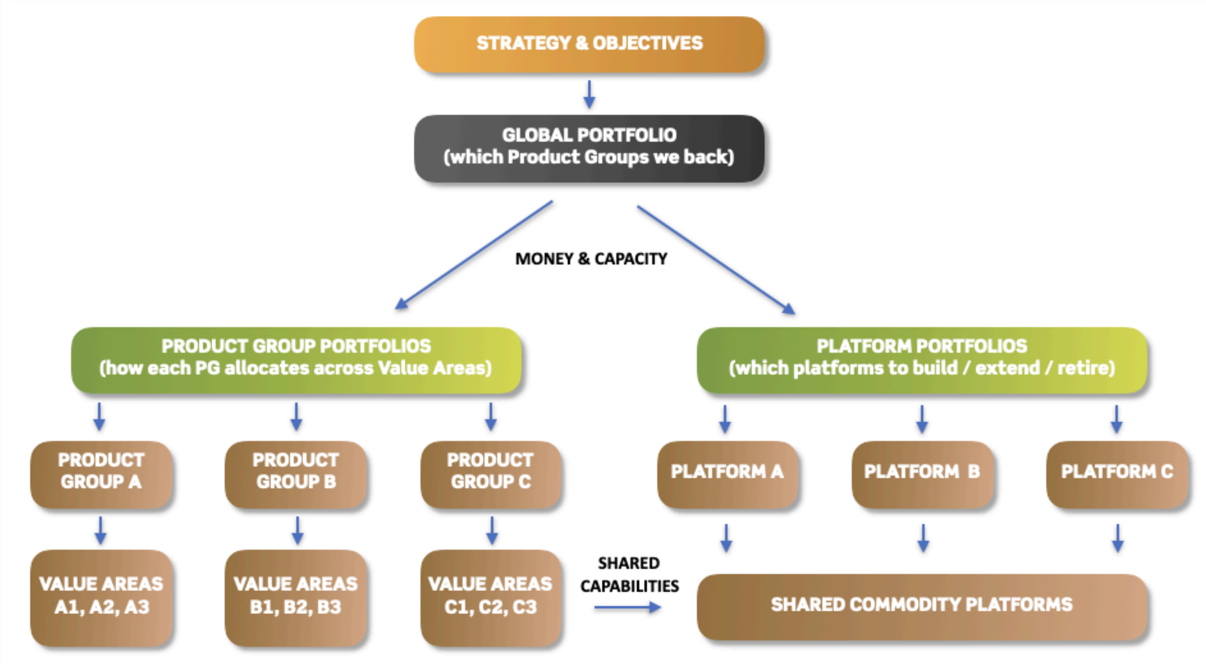


Figure 2. CAO portfolio overview.

At the top, the enterprise portfolio decides which product groups and platforms to grow, maintain or exit and sets funding bands. Inside each product group, a portfolio decides how much capacity goes to which value areas and which outcomes they must deliver. In the back, a platform portfolio decides which platforms to build, extend or retire. This balances cost, risk and new capabilities in line with strategy.

If you have a consolidated front (regions, countries, channels), the enterprise portfolio does not pick products or regions in isolation; it picks product–market plays, so product investment, platform capacity and commercial focus line up around the same bets.

Level	Scope	Key decisions
Enterprise Portfolio	All Product Groups / BUs	Which PGs to grow, maintain, or exit; funding bands; big cross-PG bets
PG Portfolio	Value Areas inside that PG	Which VAs get growth vs optimize vs maintain; major initiatives per VA
Platform Portfolio	Shared platforms (back)	New capabilities vs technical/operational risk vs cost optimization

Table 1. What decisions live at each portfolio level

In this model, portfolio management is not about approving projects and features; it is about deciding which bets get real money and which do not, so that strategy, org-design and spend tell the same story.

Organizational Setups That Shape the Portfolio

Creating Agile Organisations builds on classic organisation design work by Jay Galbraith, who show that most large companies repeat a small set of structural patterns. In CAO we re-use this simple language for these patterns.

The Front-Middle-Back View

- a Front for customers and market focus that might own solutions and P&L.
- a Middle where Product Groups that might own propositions and P&L, and
- a Back with shared commodity platforms and operations.

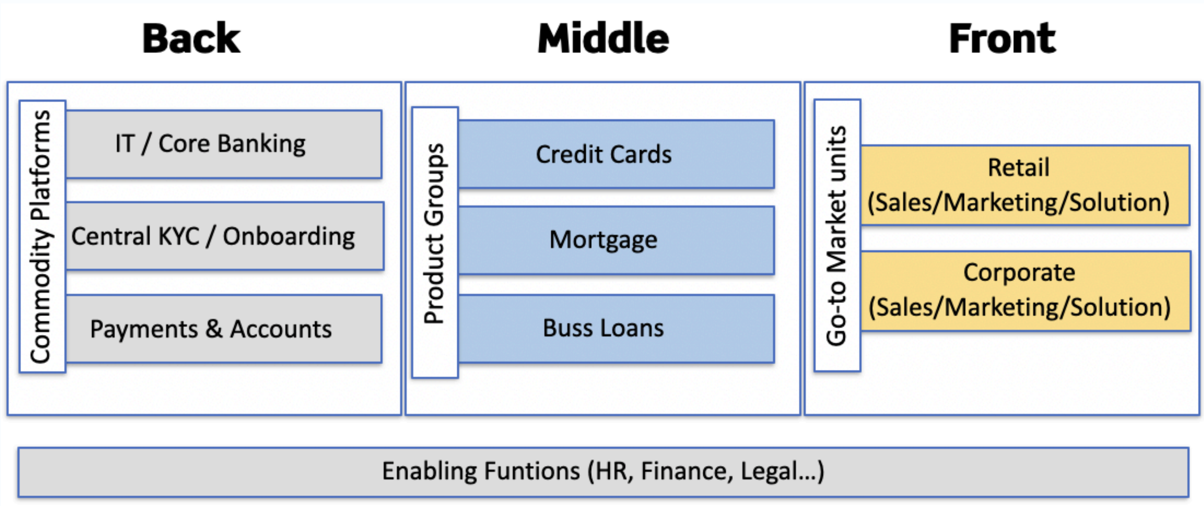


Figure 3. Simplified example of Front-Middle-Back of a bank.

The aim here is not to add jargon, but to help you recognise which shape your organisation is closest to today, so you can see how CAO portfolio management applies in your own context.

The Front: Customers and Markets

The Front is where the organisation meets customers and markets.
It includes channels, regions, and sales and service units. This is where offers are shaped for local needs, solutions are built from multiple products and specific tailoring for customers might happen. It is also where you see what customers really do, say and want.

The Front does not build core products or platforms. Instead, it combines Product Group propositions with local channel and market know-how. It decides how to position, price and push these (integrated)offers in each market.

The Middle: Product Groups

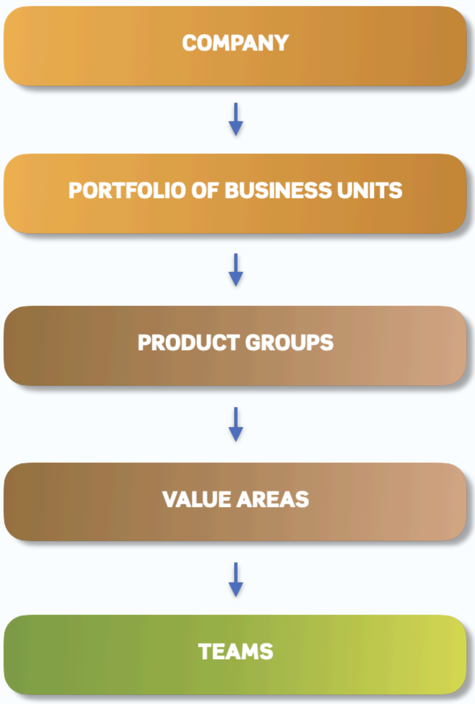
The “middle” of the organisation is where Product Groups live. These are usually P&L-owning units, each built around a coherent product(family), proposition or customer problem.

They are the primary level of business accountability. This is where strategic dialogue with senior management happens, where trade-offs are made, and where choices about where to play and how to win become concrete.

A Product Group is responsible for its strategy and roadmap, for striving for commercial ambitions, and for managing its own capacity and budget.

Rather than treating the Back as a project factory, Product Groups consume shared **commodity** platforms as services: they plug into standard capabilities instead of commissioning custom one-off builds. In this way, the middle becomes the place where strategy, P&L ownership and portfolio choices come together, while still relying on common, scalable platforms at the back.

Value Areas inside Product Groups



Inside each Product Group, there are Value Areas to create customer-value-oriented boundaries for groups of teams. A Value Area is a non-standalone part of a product. For example, a customer segment like *small business owners*, a journey stage like *Instant Lending* – from apply to yes, a lifecycle phase like *risk assessments*, or a mix of these.

Value Area’s do not have their own P&L or independent strategy; it is fully tied to the Product Group’s P&L and exists to make accountability for outcomes clearer at a more granular level.

Each Value Area has a set of concrete outcome metrics (for example NPS, time-to-yes, self-service rate, conversion or loss ratios).

Rather than requesting work from the Back, Value Areas consume shared commodity platforms via self-service, so dependencies are on standard capabilities instead of projects or requests for change.

Taken together, this creates a simple and scalable structural hierarchy: Company → Product Group → Value Areas → Teams.

The Back: Shared Commodity Platforms

At the Back of the organisation sit shared **commodity** platforms. These cover things like payments, data, identity, core systems and infrastructure. They are not built for one Product Group, but for many. The goal is simple: do the basics once, do them well, and let everyone use them.

These platforms are designed as self-service. Teams can plug in and use standard services, with as little custom work as possible. This keeps PGs loosely coupled and changes cheaper and faster. It also reduces the number of special cases that create risk and technical debt.

A platform portfolio steers these Back units. It balances cost, risk and strategic needs. It decides which platforms to build, extend or retire, and which capabilities to expose next so Product Groups can create new propositions on top.

Product Groups Are Defined in Three Different Ways

These three tiers can be combined in three different ways.

Differentiated Front-Middle, Consolidated Back

In this configuration, the Front and Middle units combine into Product Groups. Behind them sits one shared set of shared platforms. The Front can vary by market (hence differentiated front), while platforms stay standard. Different Products serve different markets, regions or channels (for example, retail vs corporate).

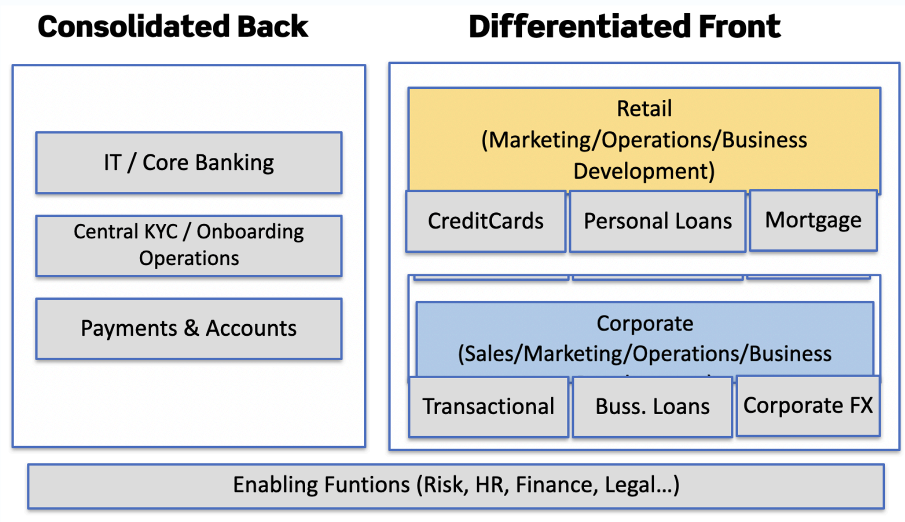


Figure 4. Simplified example of Differentiated Front-Middle, Consolidated Back of a bank.

Differentiated Middle–Back, Consolidated Front

In this set-up the Back and Middle combine into Product Groups. Different Product Groups with their own Back units exist for different products. At the front, customers may buy across products. They see “one face”, and the front offers solutions, serves markets or segments.

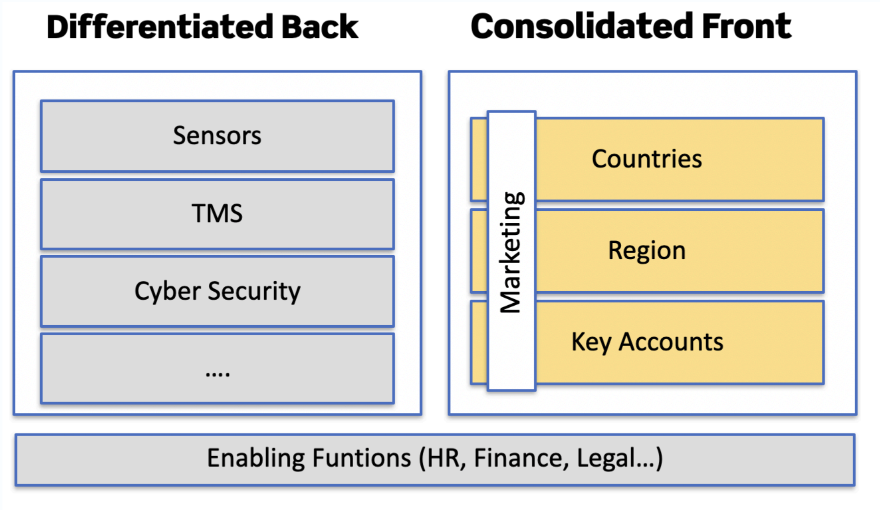


Figure 5. Simplified Differentiated Middle–Back, Consolidated Front in a tech-company.

Consolidated Back, Differentiated Middle, Consolidated Front

In this setup, the Back is strongly shared: one set of core platforms for all. The Front is also mostly shared (for example, one main brand and channel mix). The main variety sits in the Middle, where each Product Group focuses on a unique offering and competitors.

CAO does not depend on one “perfect” shape. The core is always the same: Product Groups with real P&L ownership in any of these configurations.

The way portfolio management works varies slightly in each configuration.

The Three Portfolio Levels

In CAO, portfolio management means deciding how to allocate capital and capacity across three levels:

- between Product Groups at the enterprise level
- between Value Areas within each Product Group, and
- into shared commodity platforms at the platform level.

It is *not* about approving individual projects, business cases, or features. Instead, it is about making deliberate choices on which strategic bets get fuel — and which do not — so that investment, focus, and resources line up with the company's strategy and the P&L accountability of each Product Group.

Global Portfolio across Product Groups

Scope:
All Product Groups (PGs) or business units in the company.

Core question:

> Which Product Groups do we grow, maintain, harvest, or exit?

This is the "boardroom" portfolio. It connects business strategy and capital allocation.

What this really means

	Product Group A	Product Group B	Product Group C
Role	Growth Engine	Cash Cow	Declining
Focus	Innovate	Maintain	Harvest/Decline
Funding	Invest to gain, enter new markets, drive innovation.	Invest to keep your position stable. No big new innovations.	Prepare disinvestment / partnership.

Table 2. Look at PGs side by side

- You look at all Product Groups side by side:
    - Which ones are strategic growth engines?
    - Which ones are solid but mature "cash cows"?
    - Which ones are declining or no longer strategic?

- For each Product Group, you decide a strategic intent, such as:
  - Grow – Invest to gain share, enter new markets, or scale fast.
  - Maintain – Keep investment roughly stable; defend position and profitability.
  - Harvest – Limit new investment, focus on profitability and cash extraction.
  - Exit – Prepare divestment, wind-down, or partnership.

Decisions at enterprise level

1. A small set of long-term "big bets" and product–market plays
   - You identify the few strategic bets that really matter:
     - New markets to enter.
     - New product families or platforms to build.
     - Major shifts in business model or go-to-market.

These "big bets" define *where* the company is really trying to win, and which Product Groups are the vehicles for those bets.

2. Funding and goals per Product Group
   - PG A: "High growth" band → higher capital and capacity allocation.
   - PG B: "Maintain" band → stable funding, efficiency focus.
   - PG C: "Harvest/Exit" band → constrained investment, strict ROI.

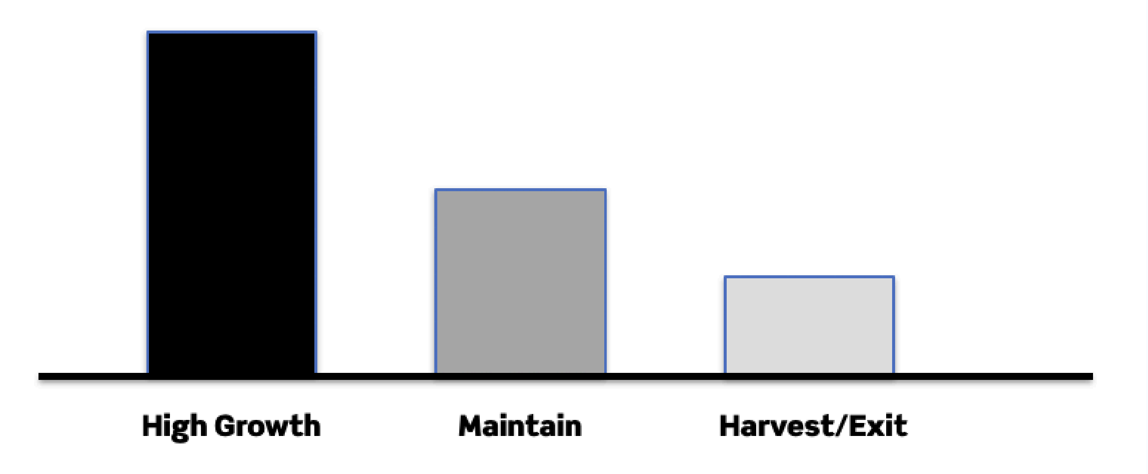


Figure 7. Funding per product group.

This gives each Product Group clear direction for its own portfolio.

In short: the Enterprise Portfolio decides where the company places its big chips, PG by PG.

Product Group Portfolio (across Value Areas inside a PG)

Scope:
All Value Areas and major initiatives within one Product Group.

Core question:

> *Given our P&L goals and budget, which strategic initiatives and bets do we invest in?*

This is the portfolio owned by the Product Group (PG) leadership.

What this really means

- Each Product Group has:
    - A P&L goal (revenue, margin, growth, etc.).
    - A budget (capital, teams, capacity) coming from the enterprise-level decision.
- The PG leadership decides how much fuel each Value Area gets, relative to others.

Decisions at Product Group level

Value Area	Intent	Key Initiatives
Instant Lending	Grow	Reduce time for loan approval to instant
Ensure Trades are Fast and Reliable	Optimize	Reduce trade latency and failure rates by 50%
Make Analysis Easier and Faster	Run	Stabilize core dashboards and remove critical defects to ensure reliable daily use

Table 3. Key initiatives per Value Area

1. Investment levels per Value Area
    - You classify each Value Area, e.g.:
        - Grow – Over-invest to drive new revenue or adoption.
        - Optimize – Improve efficiency, conversion, or margin.
        - Run – Keep it stable and reliable, minimal change.
    - This gives a simple language to express intent:
        - “We are *growing* Onboarding.”
        - “We are *optimizing* Billing.”
        - “We *running* Risk and Compliance.”
2. Key initiatives per Value Area; team allocation

    - For each Value Area, the PG chooses:
        - The key initiatives that matter (not a long backlog).
        - How many teams will work there.

So, the Product Group Portfolio decides how the PG spends its limited budget to hit strategy goals.

Platform Portfolio (across shared platforms in the Back)

Scope:
All shared commodity platforms and core systems used by multiple Product Groups.

Core question:

Which platforms and capabilities must we build, improve, or retire?

This is the portfolio for the shared Back: infrastructure, core systems, and reusable services.

What this really means

- Many Product Groups depend on the same underlying commodity platforms:
    - Payments platform, identity & access, data platform, CRM, core banking, etc.
- These platforms:
    - Enable reuse and scale across PGs.
    - But also consume significant investment and change capacity.

The Platform Portfolio ensures that shared platforms evolve in line with strategy, not by random project demands.

Decisions at platform level

1. Which platforms to extend, stabilize, or decommission
    - For each major platform, you decide the posture:
        - Extend – Invest to add capabilities, scale, performance.
        - Stabilize – Focus on reliability and cost, few new features.
        - Decommission – Plan replacement, migration, and shutdown.

This avoids investing heavily in platforms that should actually be wound down.

2. Which strategic cross-PG capabilities to deliver and which to defer
    - Platforms usually get a flood of requests from different Product Groups.
    - Instead of developing PG specific functionality, a commodity platform chooses:

- Which cross-PG capabilities are strategic.
- Which are PG specific and need to be developed by PGs themselves.

Platform	Intent	What it means
Payments	Extend	Add capabilities, scale, performance
Cloud Services	Stabilize	Reliability & cost; few new features
Legacy Core	Decomission	Plan replacement, migration, shutdown

Table 4. Key initiatives per Value Area

So, the Platform Portfolio ensures shared platforms evolve where it matters most, enabling multiple Product Groups, instead of becoming a slow, overloaded bottleneck.

How the Three Portfolios Adapt to Different Configurations

In CAO, the three portfolios play slightly different roles depending on how Front, Middle (Product Groups), and Back are configured.

In a Differentiated Middle–Back, Consolidated Front setup, each Product Group has its own Back unit, so the Global Portfolio is mainly about deciding which Product Groups (and their attached Back units) to grow, maintain, harvest, or exit by region or product line.

The Product Group Portfolio becomes the primary steering wheel: PG leaders decide how to invest across Value Areas for their specific product–Back combo, shaping both the differentiated offering and the underlying operations.

The Platform Portfolio may exist within each PG (for its own Back) and focuses on which internal platforms to extend, stabilize, or retire without losing the “one face” at the Front.

In a Differentiated Front–Middle, Consolidated Back setup, the Global Portfolio must balance multiple product/market plays that share a single core platform: it decides which customer segments, channels (e.g., retail vs.

corporate), and Product Groups get the growth posture on top of the same shared Back.

The Product Group Portfolio then tunes investment for each combination of product and go-to-market, making sure P&L goals are met in that specific market.

The Platform Portfolio focuses on a single shared strategic Back: which standard platforms and cross-PG capabilities to build once and reuse everywhere.

In a Consolidated Back, Differentiated Middle, Consolidated Front setup, the Global Portfolio primarily chooses which differentiated Product Groups sitting in the Middle (each with its own offering and competitors) are strategic growth engines under a mostly shared brand and channel mix.

The Product Group Portfolio is where real diversification happens: each PG shapes its own set of Value Areas and initiatives to compete in its specific space, even though customers see a unified Front. Meanwhile, the Platform Portfolio is strongly centralized: one set of core platforms must serve all PGs, so platform investment choices are made for maximum strategic and cross-PG leverage. This ensures that shared Back capabilities keep pace with the most important Product Group bets.

How these three levels work together

The three portfolio levels work as a single causal chain. The Enterprise Portfolio decides which Product Groups get funding for which long-term bets, setting the strategic direction.

The Product Group Portfolio then decides how each Product Group uses that funding across its Value Areas and key initiatives, translating strategy and P&L goals into concrete investment choices.

The Platform Portfolio determines which shared platforms in the Back are upgraded, maintained, or retired, so that Product Groups can actually execute their bets on stable, scalable foundations.

Together, these three portfolios align strategy → spend → teams, keep accountability anchored with Product Groups as P&L owners, and prevent the organization from sliding back into project-by-project approvals and feature-by-feature debates.

Portfolio Cadence and Processes

You can use portfolio management as a repeated, concrete process. Below some guidelines that might be useful.

- At larger cycles (six months), decide strategic investments in Product Groups and Platforms..
- Every quarter, each Product Group decides how it spreads its capacity across Value Areas and major initiatives. Platforms decide which shared capabilities to build or improve.
- Every month, we do a light health check and make small adjustments without reopening all decisions.

This process improves your money- strategy alignment across Product Groups, Value Areas and platforms.

Global portfolio (across Product Groups)

- Goal: Decide big bets, investment levels per Product Group/BU and key platforms for the 6-12 months.
- Who: Top leadership + each PG Lead and Platform Leads.
- Process:
  - *Prep:* PGs and platforms send short packs (results, current portfolio, 2–3 investment strategic initiatives and options, platform needs).
  - *Workshop:* Revisit strategy and constraints, review each PG and platform, pick bets and options.
  - *Output:* A “Global View” tagging each PG (Grow / Maintain / Harvest / Exit), budget/headcount envelopes, and platform investment themes (Extend / Stabilize / Decommission) that guide the PG-level and platform portfolios.

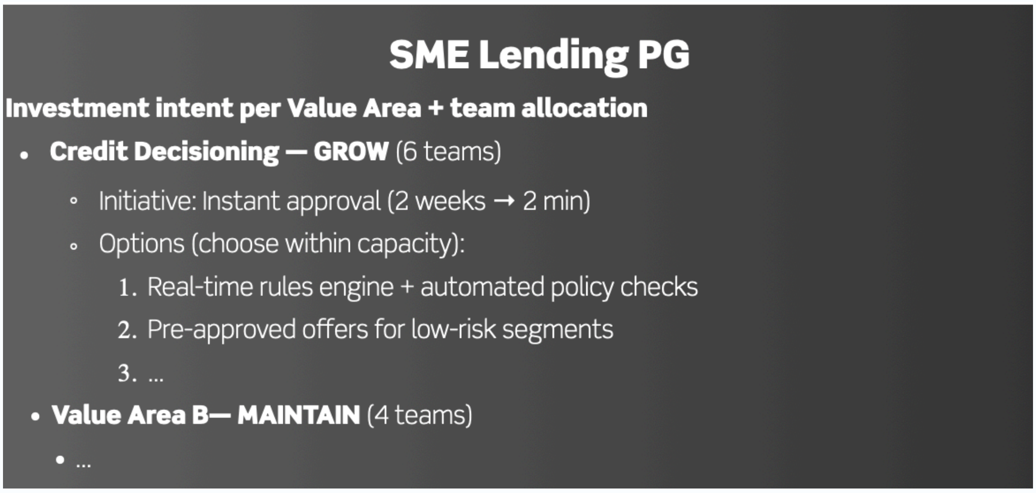
Simplified Example input packs (what comes in)

- **SME Lending PG**: NPS down, approval time 2 weeks, STP 50%, growth target +10k clients.
  - Proposes “Instant Lending” bet: **From 2 weeks -> 2 min**
- **Platforms**: Identity/KYC stability issues, data quality gaps, legacy core costs rising.
  - Proposes X bet...
- **Cards & Payments PG**: ...
  - Proposes Y bet...
- **Retail Everyday Banking PG**: ...
  - Proposes Z bet...

Product Group portfolio (inside a PG, across Value Areas)

- Goal: For the next quarter, decide how PG capacity is spread across Value Areas and which big initiatives to run.
- Who: PG Lead, Value Area Leads, Finance, Tech/Delivery, Marketing, Risk ...
- Process:
    - *Prep:* Reports outcomes, current initiatives, and proposes 3–5 new options to achieve initiatives with impact, size, and platform needs; Value Areas and teams compile capacity view.
    - *Session:* Review PG goals; discuss each Value Area; choose investment level per VA (e.g. Grow / Optimize / Run), select top initiatives and its options within capacity, decide what to stop.
    - *Output:* A 1-page PG Portfolio Plan with investment per VA, top options and initiatives, team allocation across Value Areas.

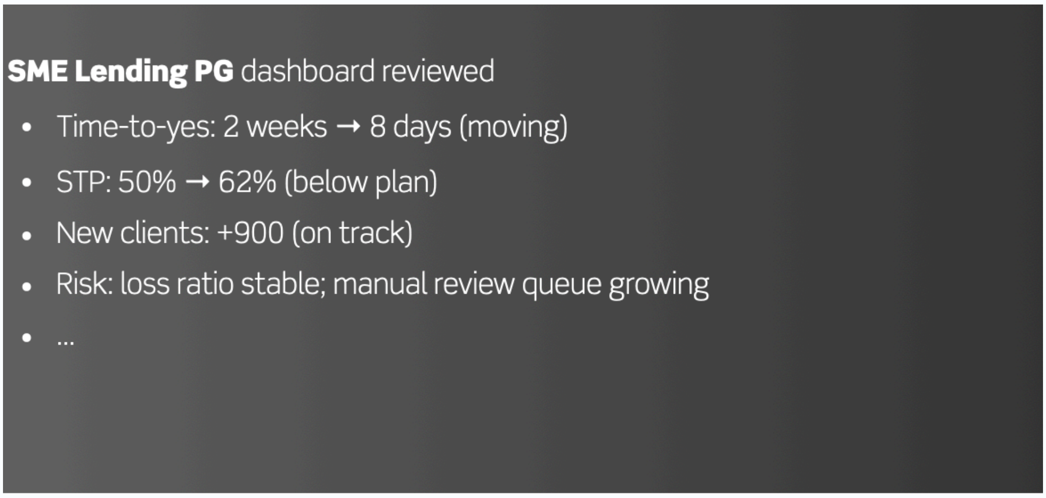
Example simplified quarterly portfolio outputs (1-page plan)



Monthly portfolio health check (lightweight)

- Goal: Adjust course based on learnings without reopening the whole quarterly plan.
- Who: PG Lead, Value Area Leads, Tech/Delivery etc (30–60 mins).
- Process: Review a simple dashboard (learning, P&L trajectory, option progress, outcomes, delivery health). Potential adjustment of options, implementation direction, limited reallocations of capacity and small changes; escalate bigger changes to the next quarterly session or enterprise level.

Simplified Monthly portfolio health check example



Commodity Platform portfolio (shared/Back platforms)

- Goal: Make sure shared platforms evolve to support strategy and enable PGs while managing risk and cost.
- Who: CIO/CTO or Head of Platforms, Platform Leads, teams, selected PG reps, Risk/Architecture.
- Cadence: Quarterly plus lighter monthly syncs.
- Process:
    - *Collect:* Demand from strategy, PG plans (platform asks) + platform health, risk, cost, capacity, and proposals.
    - *Session:* Cluster into platform themes (e.g. Data, Identity, Payments); for each platform, decide investment level and prioritize cross-PG capabilities and mandatory risk items.
    - *Output:* A Platform Portfolio Plan with investment per platform (Grow / Maintain / Decommission), key cross-PG capabilities to deliver, and a clear “not this quarter” list.

About The Author

Cesario Ramos is an organizational design and management advisor and is a co-creator of the Creating Agile Organizations (CAO) approach.

He currently works at AgiliX Consulting where he helps organizations navigate strategic org-redesigns and organizational transformations.

Cesario is the author of three books and a frequent speaker on agile organizations. He focuses on building agile organizations and enabling leadership to succeed in fast-changing environments.

You can contact Cesario Ramos at **cesario@agilix.nl**