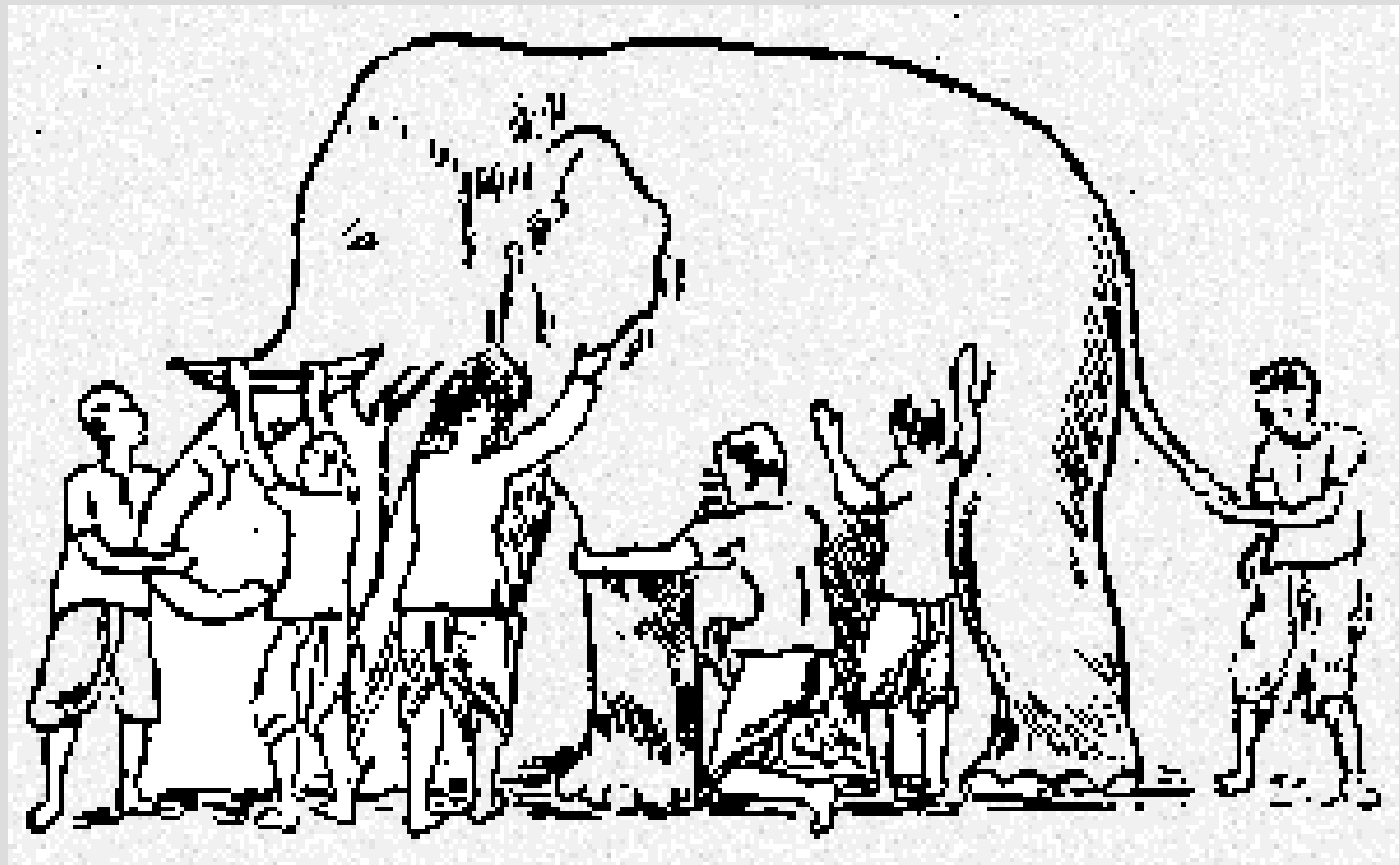


Business Value: What do we do about it?

Agile2007
August 14th, 2007
Joe Little

6 Blind Men & the Elephant



Joe Little

- ✓ Agile Practitioner, Coach, and Trainer
- ✓ Practicing Agile for 4 years
- ✓ Practiced Waterfall for 18 years; recovering Waterfall
- ✓ Background in projects and management consulting to major firms in NYC, London, Charlotte and elsewhere
- ✓ 20+ years in financial services
- ✓ MBA, CSP

Two Parts

- Business Value: What is it? (earlier)
- Business Value: What do we do about it?

The IS questions

- Why is Business Value important?
- What is Business Value?
- Which definitions of Business Value align best with which people?
- What do customers really want? What did you buy today and why?
- Does the Business Value of a project ever change? Why? How did you discover that change?
- Which tools should we use to uncover Business Value?
- In a project, who should care about Business Value?
- Does Business Value seem easier or harder now?

What is it? : Results

- No clear detailed agreement
- General Agreement on these points:
 - Business Value is complex & difficult
 - Different people have different views
 - Probably best to consider several perspectives: customers, shareholders, workers
 - We are motivated by Business Value
 - Business Value can be a clarifying vision (focus)
 - We continue to learn about business value during the project

Would like....

- $BV = x$

Maybe it is...

- $BV = F(x) + F(y) + F(z) + \dots$
- That is, a complex function where one (or we) must balance multiple things.
- While they are changing!

What to do about it?

			What do we do about it?
1	5	4:00	Quick review of what we've done so far
2	5	4:05	What is your biggest learning so far?
3	5	4:10	Do we need some basic concepts around using Business Value? (eg, cost-benefit analysis and decision-making)
3	10	4:15	What should we do before we commission an IT project?
4	10	4:25	What should we do first, once a project is commissioned? (Product Backlog / Stories)
5	10	4:35	What should we do in the Iteration Planning Meeting?
6	5	4:45	What should we do during an Iteration?
7	7	4:50	What should we do at Iteration Review?
8	10	4:57	What should we do at Release Time? What should we do at the end of an IT Project? What do we do well after an IT project is over?
9	5	5:07	Can we use Business Value across multiple projects? If so, how and when?
10	5	5:12	If there is change and learning about Business Value, how is that best incorporated?
11	5	5:17	Who should take all the actions you've proposed?
12	8	5:22	What is the biggest thing you learned in this session?

The DO Questions

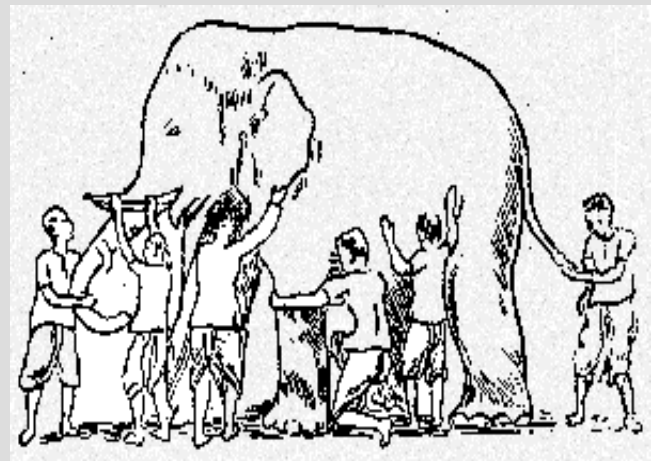
- What is your biggest learning so far?
- Do we need some basic concepts around using Business Value?

- What should we do before we commission an IT project?
- What should we do first, once a project is commissioned? (Product Backlog / Stories)
- What should we do in the Iteration Planning Meeting?
- What should we do during an Iteration?
- What should we do at Iteration Review?
- What should we do at Release Time? What should we do at the end of an IT Project? What do we do well after an IT project is over?

- Can we use Business Value across multiple projects? If so, how and when?
- If there is change and learning about Business Value, how is that best incorporated?
- Who should take all the actions you've proposed?
- What is the biggest thing you learned in this session?

What is your biggest learning so far?

- Before, During, Since, Now
- Ideas
- Experiences
- Short Version: What do you do about Business Value now?



Do we need some basic concepts around using Business Value?

- Cost-benefit analysis
- Decision-making (vs. cost of information)
- Precision vs. Accuracy

What should we do before we commission a project [IT?]?

- A lot, a little, nothing?
- How?
- What expectations should you set? For whom?



What should we do first, once a project is commissioned?

- Product Backlog
- Epics, Themes, Stories
- Business Value and the chunks of work
- Business Value and communication & expectations

What should we do in the Iteration Planning Meeting?

- Scrum: choose work using Business Value & Risk
- Alternatives?
- What else?

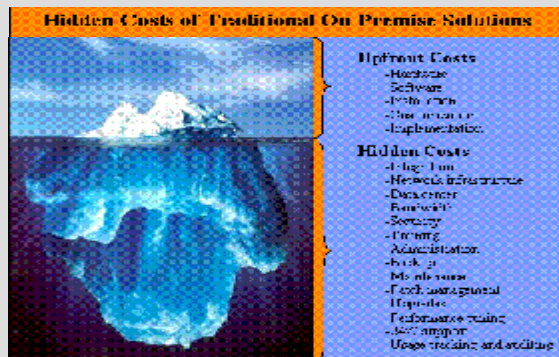
What should we do during an Iteration?

- Discovering Business Value from the system
- Talking about Business Value in relation to Cost
- Attacking Business Value?



From “Lean Solutions”

1. Solve the customer’s problem completely by insuring that all the goods and services work, and work together.
2. Don’t waste the customer’s time.
3. Provide exactly what the customer wants.
4. Provide what’s wanted exactly where it’s wanted.
5. Provide what’s wanted where it’s wanted exactly when it’s wanted.
6. Continually aggregate solutions to reduce the customer’s time and hassle.



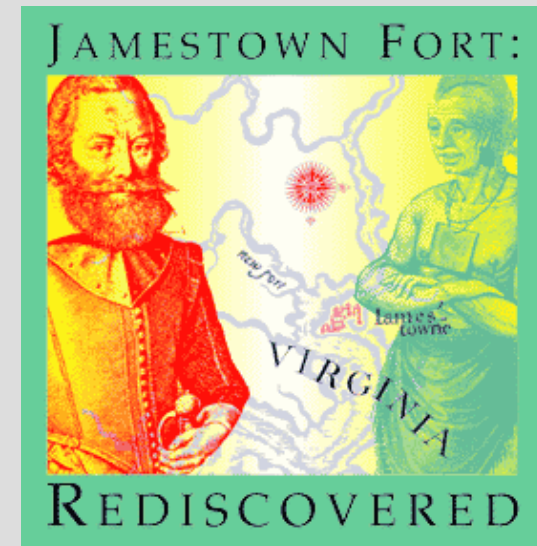
Underline added.
From Womack & Jones

What should we do at Iteration Review?

- Confirm that Business Value delivered?
- What else?
- How do you discover the change?



Shanghai, PRC



What should we do at Release Time? Or after the Release?

- After the project is over?
- Well after the project is over?



PROJECT NPV		Forecasting Cash Flows						
	2002	2003	2004	2005	2006	2007	2008	
1. Unit Sales	4000	4200	4300	4400	4500	4600	4700	
2. Price per Unit	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
3. Total Revenue	\$40,000	\$42,000	\$43,000	\$44,000	\$45,000	\$46,000	\$47,000	
4. Variable Costs per Unit	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	
5. Total Variable Costs	\$28,000	\$29,400	\$30,100	\$30,800	\$31,500	\$32,200	\$32,900	
6. Contribution Margin	\$12,000	\$12,600	\$12,900	\$13,200	\$13,500	\$13,800	\$14,100	
7. Fixed Costs	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	
8. Operating Income	\$2,000	\$2,600	\$2,900	\$3,200	\$3,500	\$3,800	\$4,100	
9. Depreciation	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	
10. Earnings Before Tax	-\$8,000	-\$7,400	-\$7,100	-\$6,800	-\$6,500	-\$6,200	-\$5,900	
11. Tax Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
12. Earnings After Tax	-\$8,000	-\$7,400	-\$7,100	-\$6,800	-\$6,500	-\$6,200	-\$5,900	
13. Depreciation	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	
14. Free Cash Flow	\$2,000	\$2,600	\$2,900	\$3,200	\$3,500	\$3,800	\$4,100	
15. Present Value of FCF	\$2,000	\$2,300	\$2,500	\$2,700	\$2,900	\$3,100	\$3,300	
16. NPV	\$12,000	\$12,600	\$12,900	\$13,200	\$13,500	\$13,800	\$14,100	



Can we use Business Value across multiple projects?

- If so, how and when?

If there is change and learning about Business Value...

- ...how is that best incorporated?

Two choices:

- (Sshhh! Don't tell anyone!)
- “It was an experiment, and we learned a lot.”

Who should take all the actions you've proposed?

- Leaders take action
- Managers take action
- A whole bunch of others take action, too?

- Or do we leave it all up to the Product Owner (Customer)?

What is the biggest thing you learned in this session?

- Something we directly discussed...
- Or something we only hinted at...

Does Business Value seem easier or harder now?

- Did you learn anything you can apply?
- While it may feel harder, will it help?

- Advice: Don't wait for perfection.



The Himalayas

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