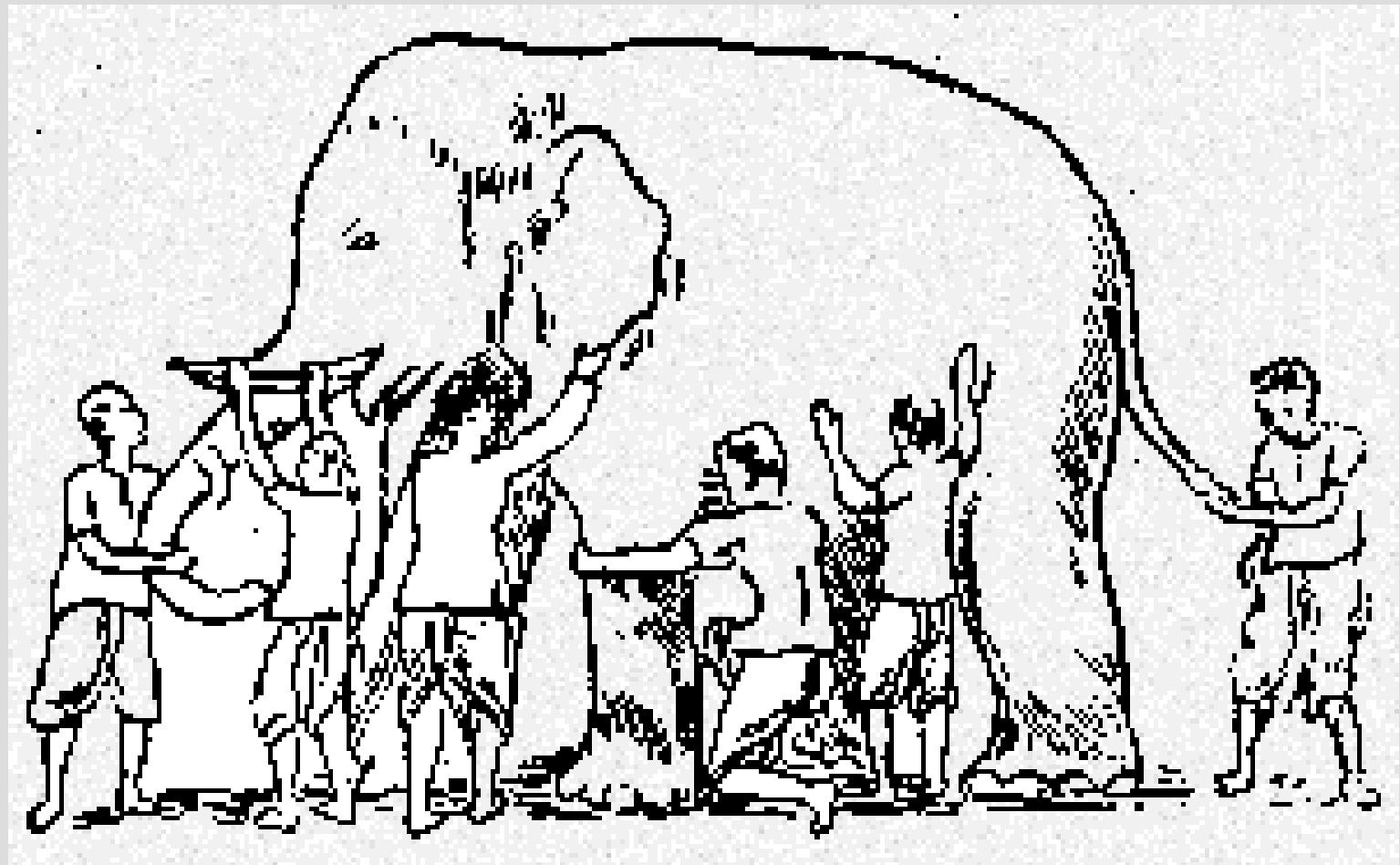


Business Value: What is it?

Agile 2007
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 PM/PMO and management consulting to JP Morgan Chase, Citibank, Deutsche Bank (BT), BNP Paribas, and Bank of America
- ✓ 20+ years in financial services
- ✓ MBA, CSP

Introductions

- Please tell us...
 - Your Name
 - Something else (your company, your home town, etc.)
 - One sentence: Why you are interested in this topic?

"You've got to be very careful if you don't know where you're going, because you might not get there."

Yogi Berra

Questions that do not...

...lead to enlightenment

“Thus have I heard:

On a certain occasion the Blessed One was dwelling at Savatthi in Jetavana monastery in Anathapindika’s Park. Now it happened to the venerable Malunkya-putta, being in seclusion and plunged in meditation, that a consideration presented itself to his mind, as follows:—

“These theories which the Blessed One has left unelucidated, has sat aside and rejected,—that the world is eternal, that the world is not eternal, that the world is finite, that the world is infinite, that the soul and the body are identical, that the soul is one thing and the body another, that the saint exists after death, that the saint does not exist after death, that the saint both exists and does not exist after death, that the saint neither exists nor does not exist after death,—these the Blessed One does not elucidate to me. And the fact that the Blessed One does not elucidate them to me does not please me nor suit me.
.....”

Ways to an answer

- What is the right question?
- When is the right time to answer the question?
- What is the answer?



Two sessions

- Business Value: What is it?
- Business Value: What do we do about it?

Business Value: What is it?

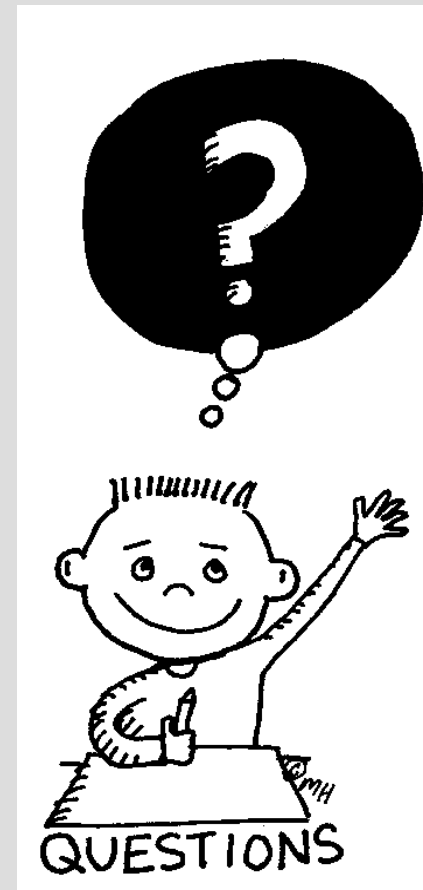
	Duration (mins)	Step
1	10	Introductions and why you are interested in this topic
2	3	Basic organization of the discovery session
		What is Business Value
3	10	Why is Business Value important? Ideas and experiences.
4	15	What is Business Value? (Break into small teams to discuss.) Then each team shares.
5	10	Which definitions of business value align best with which people? (eg, with customers, with shareholders, with workers)
6	12	What do customers really want? What did you buy “today” and why?
7	10	Does the Business Value of a project ever change? Why? How do we discover that change? Ideas and experiences.
8	10	Tools used to identify Business Value. Brief discussion to identify and explain. Small teams and report.
9	5	In a project, who should care about Business Value? And who is responsible?
10	5	Does Business Value seem easier or harder now?

The 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?

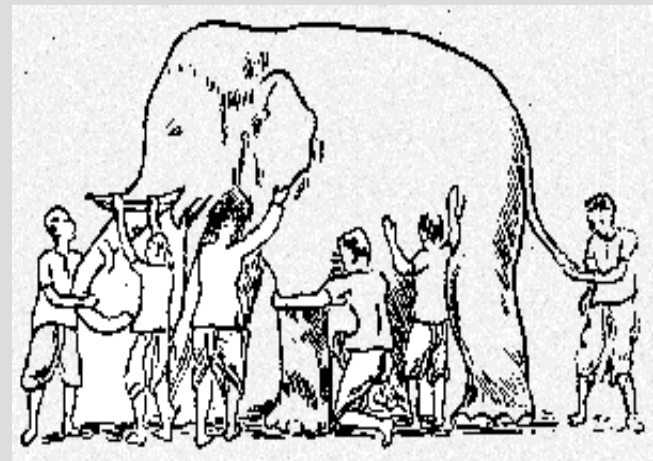
Why is Business Value important?

- Ideas
- Experiences



What is Business Value?

- Break into small teams for 5 minutes.
- Then small teams share.



Which definitions of Business Value align with which people?



What do customers really want?

- What did you buy today and why?



Some things customers want...

- A product or service (or both)
- A lower price (if everything else is the same)
- At a better location
- At the best time
- With the right experience
- Higher quality



A Lean Definition

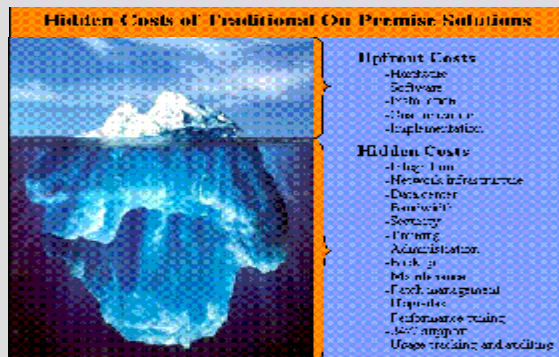
"The critical starting point for lean thinking is value. Value can only be defined by the ultimate customer. And it's only meaningful when expressed in terms of a specific product (a good or a service, and often both at once), which meets the customer's needs at a specific price at a specific time."



Womack & Jones

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

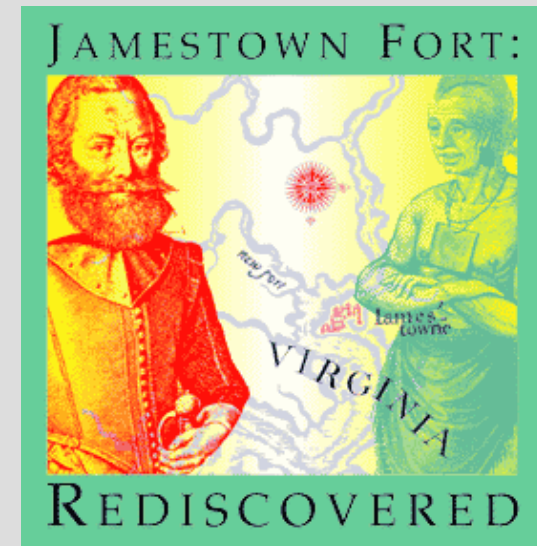
Does the Business Value of a project ever change?

- In what ways?
- Why?
- How do you discover the change?

“The Chinese GDP is already the second biggest in the world.”



Shanghai, PRC



Which tools should we use to identify Business Value?

- Discuss in teams for 5 mins and report.
- “Tool” is broadly defined. Anything that helps us understand what Business Value is.



	2001	2002	2003	2004	2005	2006	2007
PROJECT NPV	Forecasting Cash Flows						
1. Initial Investment	\$100						
2. Key Assumptions							
3. Unit Price	\$200	\$200	\$200	\$200	\$200	\$200	\$200
4. Initial Price	1000	1200	1400	1600	1800	2000	2200
5. Price Growth Rate	20%	16.7%	13.3%	10%	6.7%	3.3%	0%
6. Total Price	1000	1440	1960	2560	3240	4000	4840
7. Discounting							
8. Discount Rate = Cost of Capital	10%	10%	10%	10%	10%	10%	10%
9. Present Value of Cash Flows	1000	1273	1571	1896	2258	2658	3108
10. Price in Cost/Unit							
11. Sales Revenue/Unit	\$200	\$200	\$200	\$200	\$200	\$200	\$200
12. Variable Cost/Unit	\$100	\$100	\$100	\$100	\$100	\$100	\$100
13. Contribution Margin/Unit	\$100	\$100	\$100	\$100	\$100	\$100	\$100
14. Total Contribution	1000	1200	1400	1600	1800	2000	2200
15. Total Variable Cost	1000	1200	1400	1600	1800	2000	2200
16. Operating Profit	0	0	0	0	0	0	0
17. Total Cash Flow	0	0	0	0	0	0	0
18. NPV	0	0	0	0	0	0	0



Who should care about Business Value?

- Who is responsible? Who leads? Who contributes?
- Business people, product owner, internal customer?
- Operations?
- Dev Team?
- Others?

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

Next Session

- Today at 4pm -->
- Business Value: What do we do about it?

Contact Info

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