

Measuring Business Value with Agile

Transforming Rhetoric into Reality



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Definitions from dictionary.com:

Rhetoric - 6. the art of making persuasive speeches; oratory.

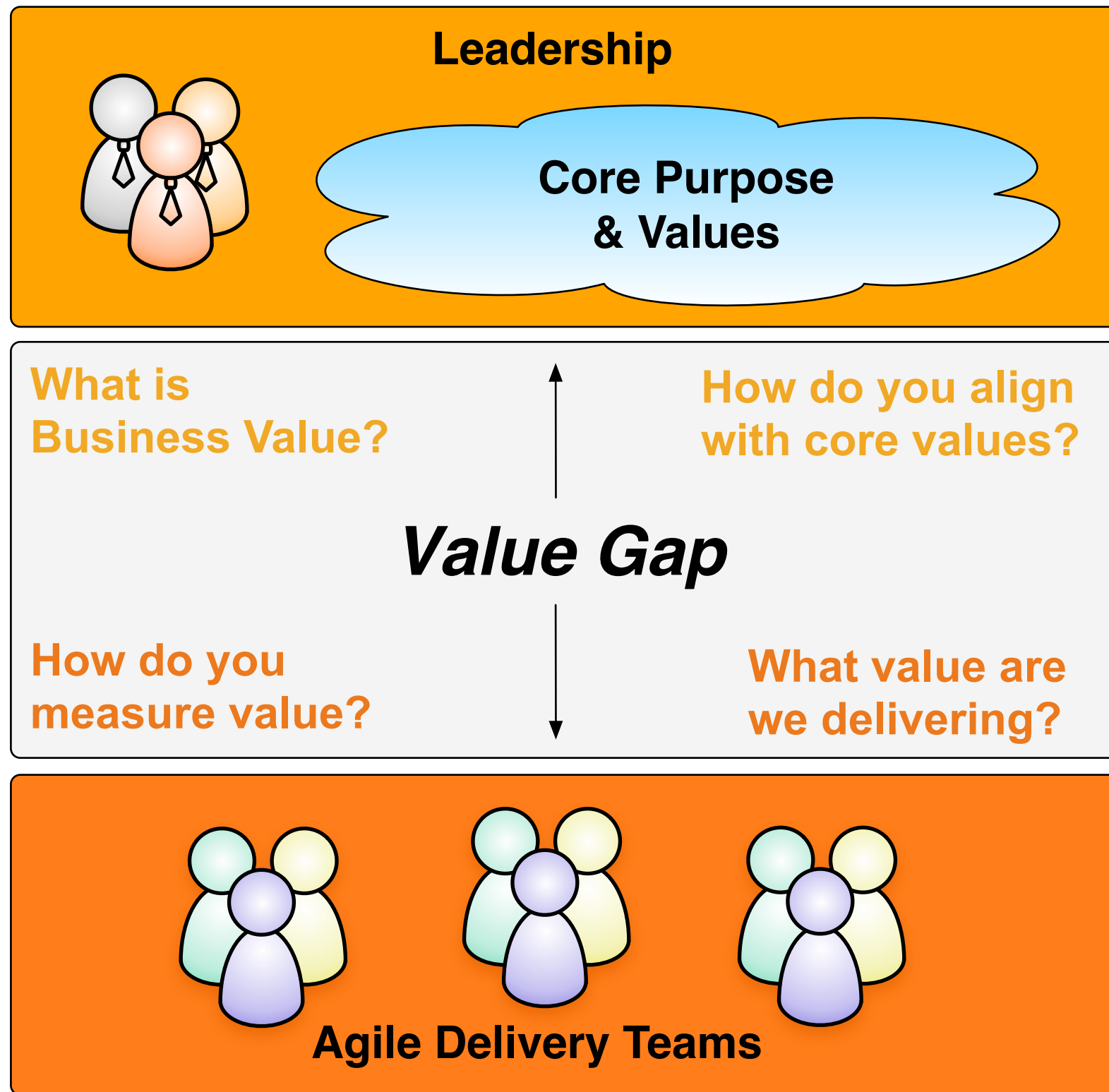
Reality - 7. something that constitutes a real or actual thing, as distinguished from something that is merely apparent.

Transforming Rhetoric into Reality involves turning lofty “presentation language” into actionable “planning language”

Questions to audience (show of hands):

1. How many are currently doing (or experimenting) with Agile ?
2. How many managers / developers / analysts / testers ?

Today's Premise



Agile talks about business value but doesn't provide a way to measure value delivered. This is primarily because Agile focuses almost entirely on doing "things right", not the "right things".

Agile projects assume they are working on the right thing when they start building backlogs.

We need an approach that both solves the right problem and solves the problem right. Combining principles and practices from Evo together with Agile can help cross this "Value Gap".

For more info on Evo (Evolutionary Project Management), see www.gilb.com

Right Problem vs. Problem Right

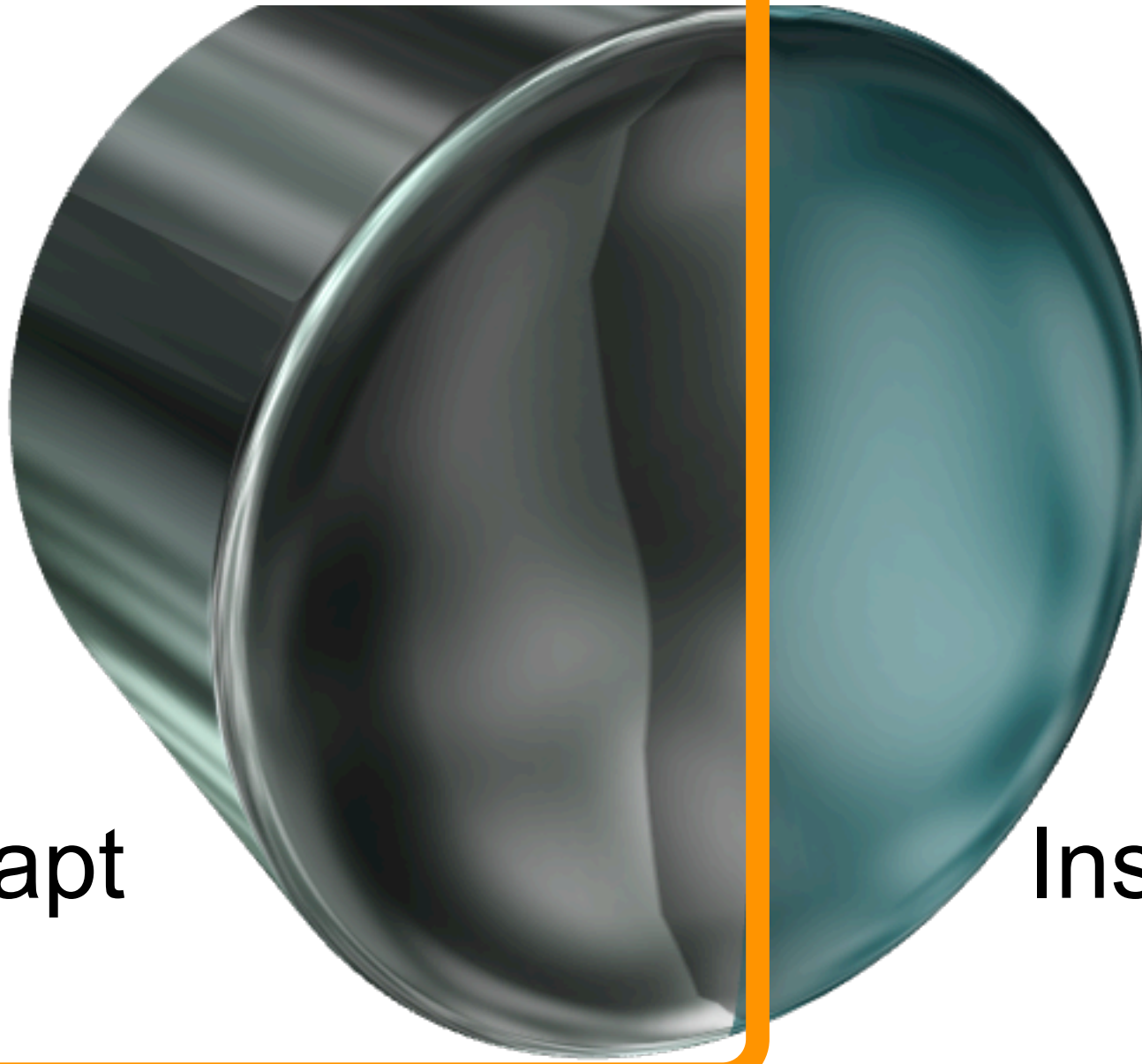
Today's Focus

Aligned with Core
Mission and Values

Measurable
Objectives

Strategy
Selection

Inspect & Adapt



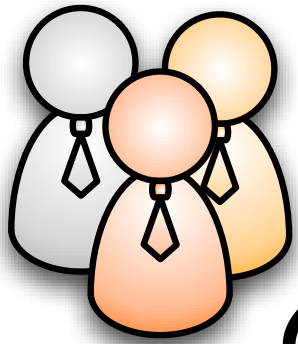
Strategy
Execution

Planning &
Prioritization

Iterative
Deliveries

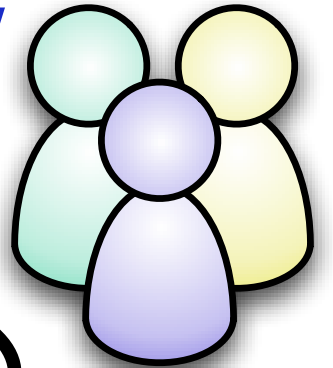
Inspect & Adapt

Session Overview



Mission

**Core
Values**



Backlog

**Measurable
Value**

**Measurable
Objectives**

**Possible
Strategies**

**Next Best
Strategy**

**Agile
Execution**

Today's Engagement



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A non-profit research organization (Acme) recently updated it's mission statement and core values.

At a recent all-staff meeting, they instilled in all employees the importance of these values to the purpose of the organization and it's mission.

Their current agile teams are being challenged to "deliver business value" and are unsure how to prioritize improvements to their core line of solutions based on value

They need our help to determine their Next Best Strategy and a way to measure value delivered.



Our Client

“Acme’s mission is to revolutionize philanthropy and nonprofit practice by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving.”

Acme is a non-profit philanthropic research organization. Their revenue comes from subscriptions (~70%) and from donations directly to their organization (~ 30%)

Acme has free and paid subscribers for its online database (web site).

The system helps track the flow of money into and out of non-profit organizations.

It relies on data from the IRS and other sources. It also includes data maintained by non-profit organizations.

Where to Start?



Stakeholders



Values



Objectives



Resources



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Stakeholders - Customers, Board of Directors, Executive Leadership, Marketing, Sales, IT

Values - Supporting the non profit community and the people who contribute to them.

Objectives - ?

Resources - \$1M & 6 months

Step 1: Refine Objectives

Exercise: Using the mission statement below, in small groups identify Acme's organizational objectives. For each one, identify the following attributes. - 4 minutes

Name: <Unique name for objective>

Scale: <What would you measure?>

Meter: <How would you measure this?>

“Acme’s mission is to revolutionize philanthropy and nonprofit practice by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving.”



Exercise Instructions:

Break into small groups of 3-5 and spend the next 4 minutes identifying the name, scale and meter for objectives that you identify.

Use the mission statement as the source from which to draw objectives. When complete, we'll review as a group. If you have any questions, please raise your hand and I'll assist.

List Objectives here:

Name:
Scale:
Meter:

Name:
Scale:
Meter:

Name:
Scale:
Meter:

Step 1: Your Results?

- What were your objectives?

Step 1: First Pass

Name: Advance Transparency

Scale: Percentage of all non-profit's current publicly available data available to [Defined Subscribers]

Meter: Quarterly audit by Senior VP

Name: Enable Better Decisions

Scale: Percentage of [Defined Subscribers] that feel organization helped them make better [Philanthropy Decision]

Meter: Periodic survey of [Defined Subscribers]

Name: Encourage Charitable Giving

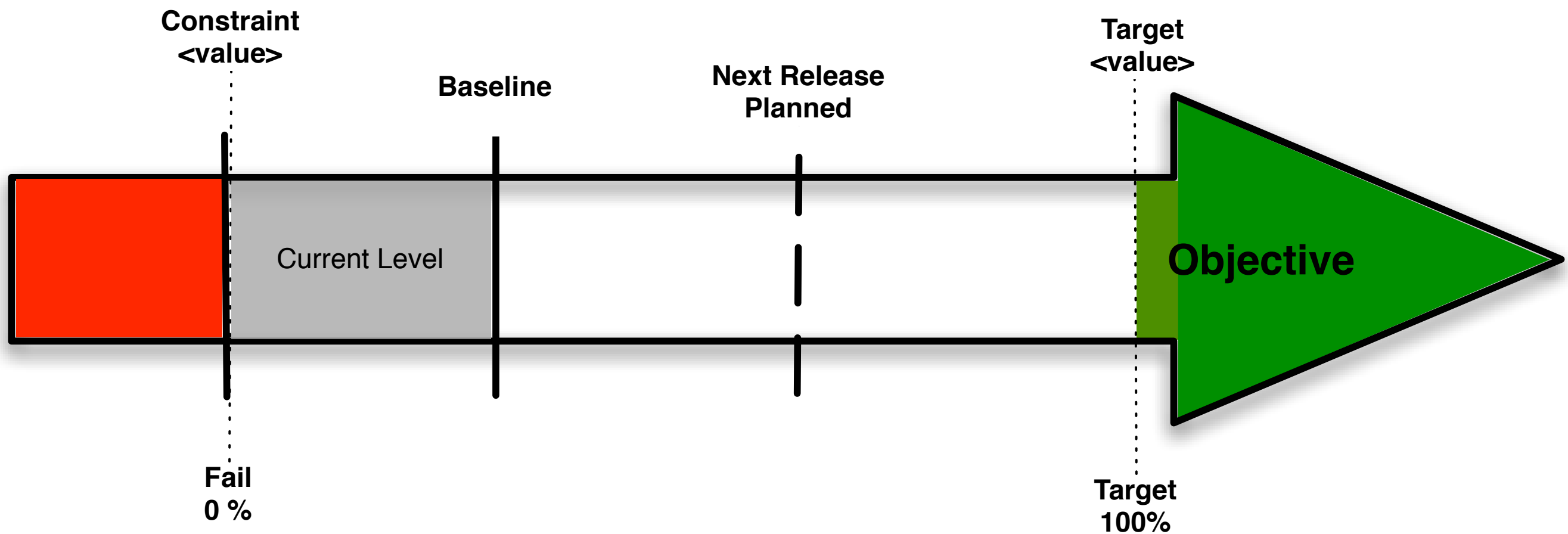
Scale: Total amount of donations made by [Defined Subscribers] over [Defined Period]

Meter: Non-Profit Donations Report



Step 1: Targets, Constraints & Baselines

Once we know “what” (scale) to measure and “how” (meter), our next step is to set appropriate levels.



Step 1: Second Pass

Name: Advance Transparency

Scale: Percentage of all non-profit's public data available to [Defined Subscribers]

Target [All Subscribers]: > 75%

Constraint [All Subscribers]: < 50%

Baseline [All Subscribers; 2007]: 50%

Name: Enable Better Decisions

Scale: Percentage of [Defined Subscribers] that feel organization helped them make better [Philanthropy Decision]

Target [All Subscribers; Donation Decision]: > 80%

Constraint [All Subscribers; Donation Decision]: < 40%

Baseline [All Subscribers; Donation Decision]: ? %

Name: Encourage Charitable Giving

Scale: Total amount of donations made by [Defined Subscribers] over [Defined Period]

Target [All Subscribers; 2008]: \$1.2M

Constraint [All Subscribers; 2008]: \$600K

Baseline [All Subscribers; 2007]: \$800K



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Let's set Targets, Constraints and Baselines for our Objectives. A few things to notice:

The difference between the Target and Constraint represents the "gap" that we are looking to close by investing resources to make improvements.

In addition to Baselines, we can also use Benchmarks (best performance to date) or Trends (performance over time) to help us establish our Target and Constraint levels.

Qualifiers:
The items in brackets [] are qualifiers, they help us be more precise with respect to setting specific levels of performance.
Qualifiers are typically some Event, Place or Time (i.e. Release 2; Q3 2008; US Locations).
Qualifiers also typically correspond to the variables used in Scales (i.e. Defined Subscribers; Philanthropy Decision)

Step 1: Summary

Let's review what we've identified for each objective:

Name: < Unique name for objective >

Scale: < What to measure (units) >

Meter: < How to measure (method) >

Target: < Success level we're aiming achieve >

Constraint: < Failure level we're aiming to avoid >

Baseline: < Current performance level >



These six pieces of information are the essential ingredients for each objective that once established will help us to go from rhetoric to reality.

Because these objectives were directly drawn from our mission statement, which was written by our top stakeholders, we can be certain these objectives are in alignment with our organizational values.

Because we've set separate Target and Constraint levels, and identified our current performance level (Baseline), we have a clear indication of the numeric level of improvement we need to make.

Because we've set Scale and Meters, everyone is on board with what we're going to measure and how we're going to measure it.

Step 2: Discover Strategies

Exercise: In same groups, identify 1 or 2 strategies that will help Acme achieve its objectives. Use the Assumptions listed in the notes to help guide you.

- 4 minutes



With our objectives defined, we can turn our focus to identifying strategies that will allow us to meet our objectives

Some strategies may impact only one objective (good). Ideal strategies will impact multiple objectives (better)

Assumptions used for discovering strategies:



- Acme has free and paid subscribers for its online database (web site).
- Subscribers include individual donors (you and me), grant seekers (students), grant makers (corporate or non-profit foundations) and media (newspapers, TV)
- Subscribers can keyword search organizations and refine by city and state
- Subscribers can analyze reports on non profits including a non-profit organization's leaders, goals, news, finances and needs.
- Subscribers can also make donations directly to a non-profit from the web site (Acme takes no fee for this)
- Non-profit organizations can maintain their information online and solicit donations from subscribers

Step 2: Your Results?

- What strategies did you identify?
 -
 -
 -
 -
 -



Step 3: Next Best Strategy

Impact Estimation Table	 Strategy	 Strategy



We determine the Next Best Strategy using an Impact Estimation table. Impact Estimation tables have:
Rows - Our Objectives (benefits) and Resources (costs)
Columns - Our top strategies we'll assess

Impact Estimation is a technique for comparing strategies by assessing their impact on objectives and resources. Completing an Impact Estimation table for our top strategies will help us determine:

- 1. Estimated impact of our strategies on our objectives (how much benefit)
- 2. Estimated impact of our strategies on our budgeted resources (how much costs)
- 3. Which strategy is the best one to pursue next if all objectives are equal? Which one if one objective is more important than the others.

For complete details on Impact Estimation, see Chapter 10 of Tom Gilb's Competitive Engineering book.

Step 3: Impact Estimation

Switch to Excel worksheet to demo Impact Estimation.

This Impact Estimation table can be downloaded from the Tools section of theagileengineer.com

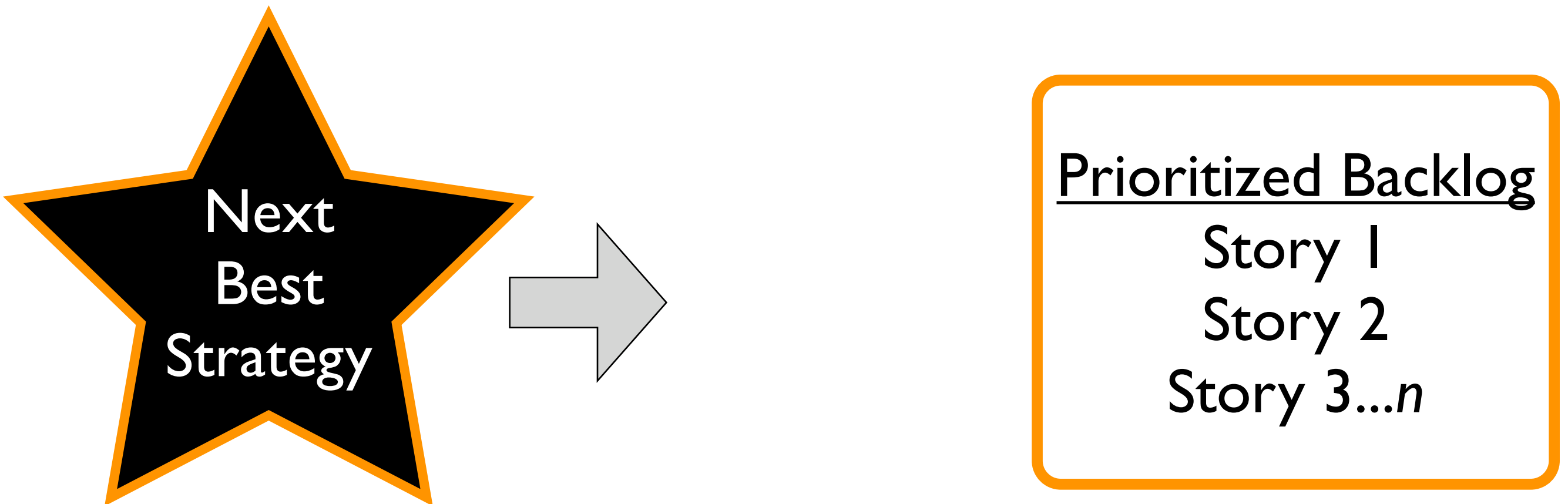


There are two types of impact estimation tables:

- Summary level showing how a strategy impacts all important objectives
- Detail level showing how a strategy impacts a single objective

Both are available for download.

Step 4: Agile Execution



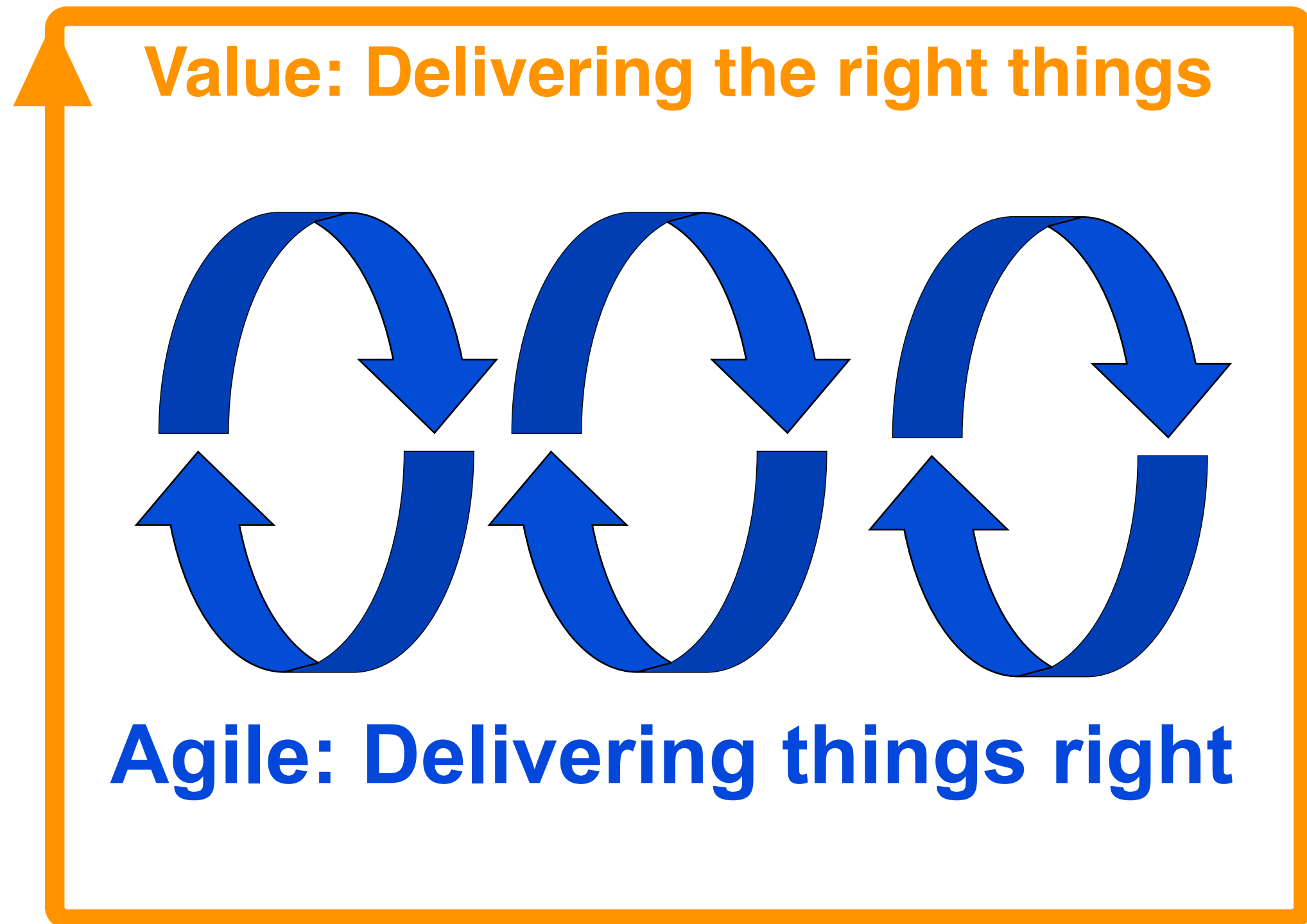
With our Next Best Strategy identified, how do we integrate with Agile?

The basic concept is to breakdown your strategy into a set of stories that can be prioritized by the product owner. As you implement the stories in an iterative fashion, at each sprint/release record new baselines to determine how much improvement was realized and how many resources were used to reach this level of performance.

Some other ideas / notes:

1. Include stories to create your meters if they don't already exist
2. If your ideal meters can only be measured infrequently (i.e. once every 6 months or year), search for other meters that can be measured more often (i.e. this month's sales vs. same month last year)

Sustainable Value Delivery



Summary

- **Yes, you can measure business value!**
 - But only with measurable objectives aligned to organizational values
- **Agile can help you execute your strategies**
 - But only if your strategies move you closer towards achieving your objectives

Thank You



process
technology
consulting
solutions

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