

# 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.

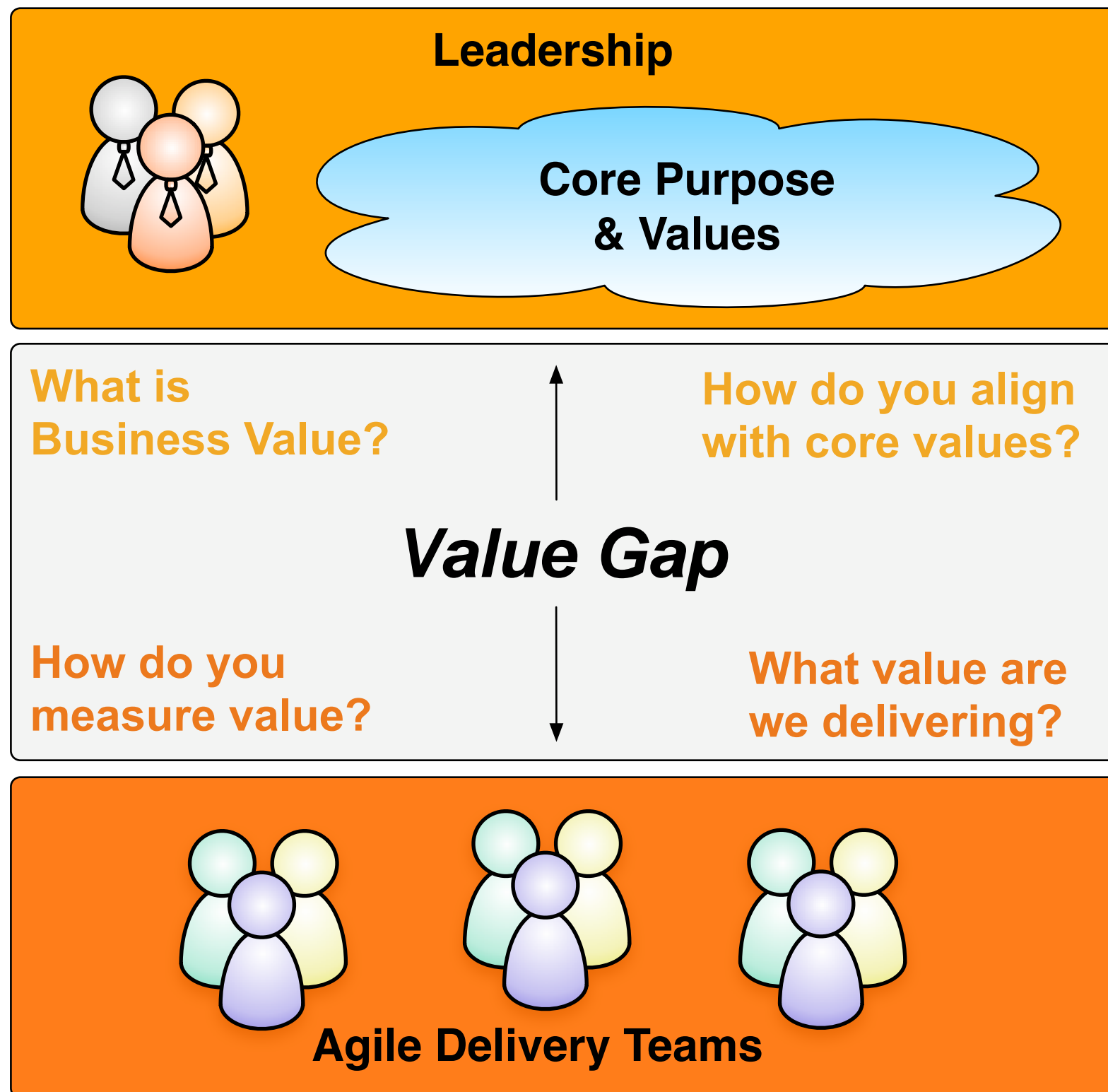
Reality - 7. something that constitutes a real or actual thing, as distinguished from something that is merely apparent.

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



# Right Problem vs. Problem Right

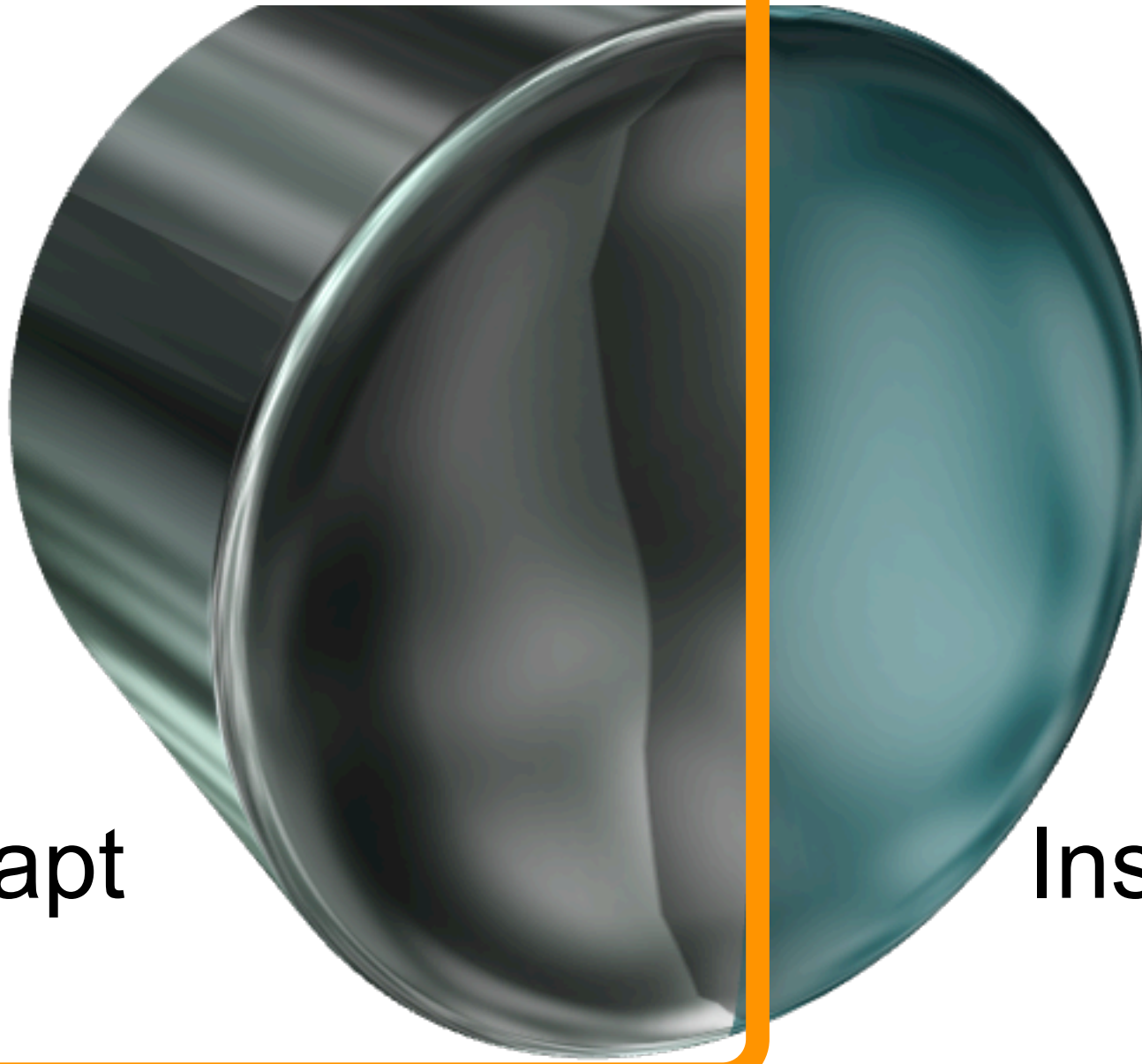
## Today's Focus

Aligned with Core  
Mission and Values

Measurable  
Objectives

Strategy  
Selection

Inspect & Adapt



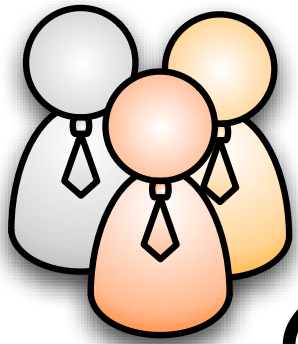
Strategy  
Execution

Planning &  
Prioritization

Iterative  
Deliveries

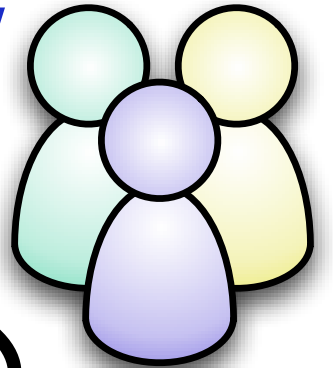
Inspect & Adapt

# 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

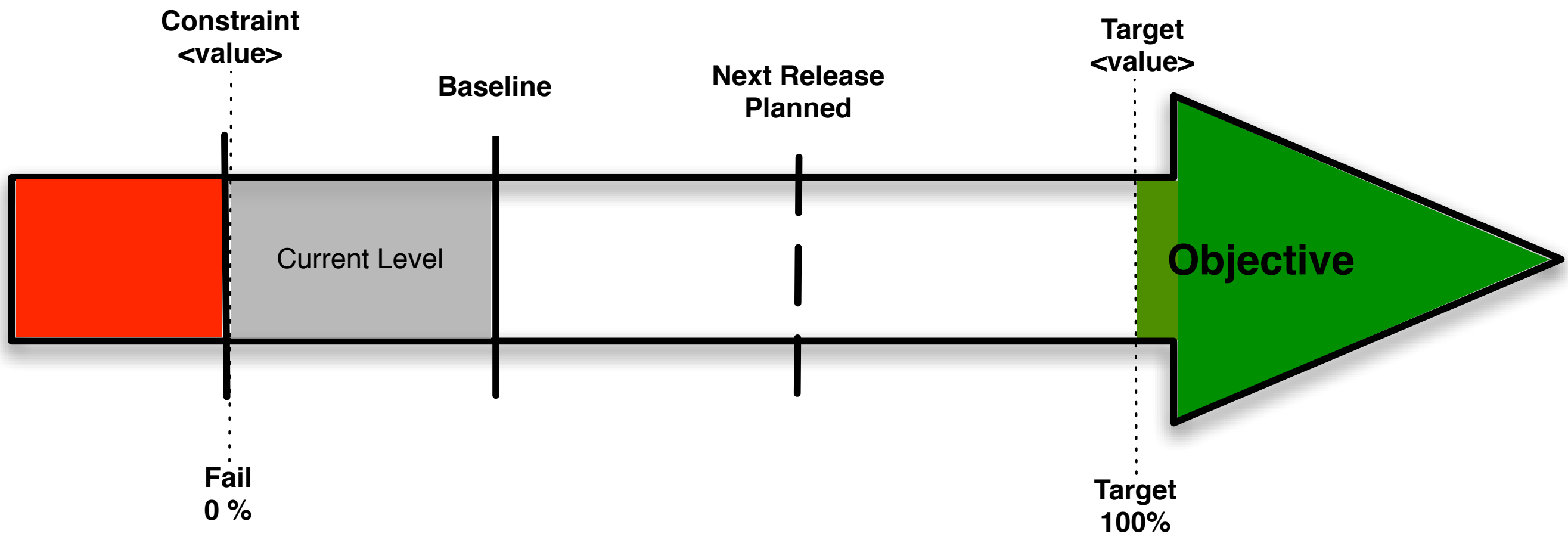
**Scale:** Total amount of donations made by [Defined Subscribers] over [Defined Period]

**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?
  - 
  - 
  - 
  - 
  -





Solicit some strategies from the audience, update this slide with the best strategies.

List strategies here:

- 1.
- 2.
- 3.
- 4.
- 5.

# 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](http://theagileengineer.com)



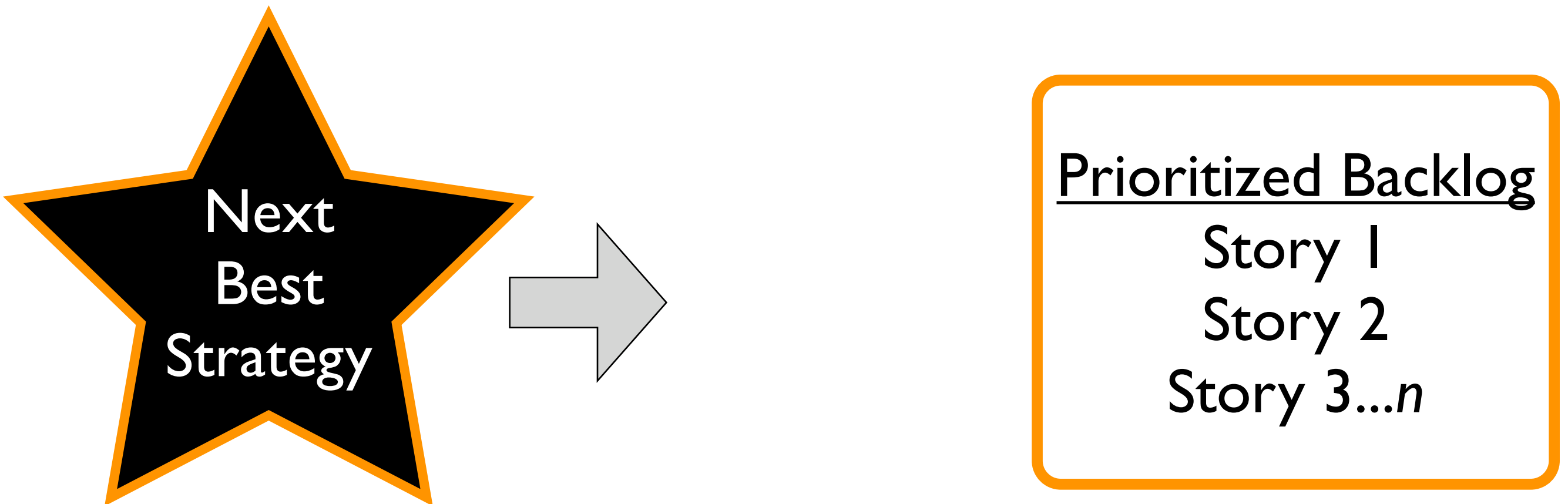
There are two types of impact estimation tables:

- 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



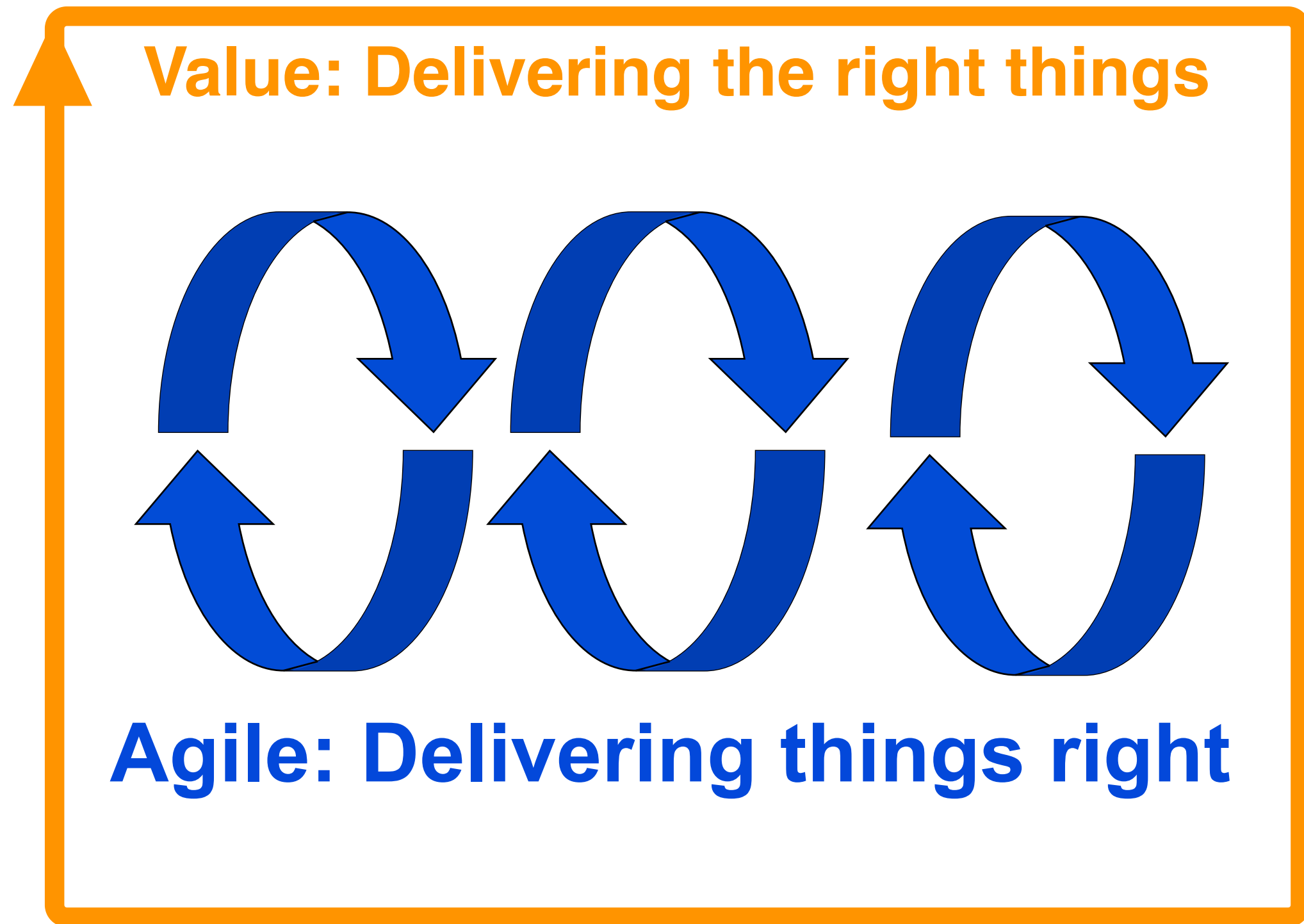
With our Next Best Strategy identified, how do we integrate with Agile?

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



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consulting  
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