The Agile Value Chain —
Embracing Agile Throughout the Enterprise
Agile 2015
Washington, DC
August 5, 2015
by Ken Rubin

You can download presentation at: http://j.mp/rubin-agile2015
Tweet using #agile2015 & @krubinagile

Overview of Ken Rubin

Agile Training and Coaching

Trained > 22,000 people
Coached >100 companies

Author of two books

1st Managing Director of the Scrum Alliance in 2007

Creator of Visual AGILExicon for describing agile
Essential Scrum in six languages

Imagine...

Great way to build software
You believe it is a better approach
Your goal is to adopt and be successful
I’m talking about the adoption of Agile practices, right?

Will be signing (English-version) books at the bookstore booth after this presentation!
No... I was actually referring to Object-Oriented Technology in late 1980s

- **OO Adoption**
  - Smalltalk
  - C++
  - Objective C
  - OODB
  - OOAD

- **Agile Adoption**
  - Scrum
  - XP
  - Kanban
  - Scaling
  - Etc...

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**Crossing the Chasm**

There are parallels between the adoption of OOT and Agile
Development/IT as the entry point for adoption in the value chain

Agile adoption has tentacles that touch most parts of an organization
To fully realize the benefits of agile, companies must embrace agile throughout the value chain. Failing to do so will provide only limited benefits from its use within the development organization.

Discuss how various non-development organizations can and should embrace agile principles to achieve alignment through the value chain.

To achieve alignment across the value chain, the organizations involved must be embracing the same core set of agile principles.

Described in detail in Chapter 3 of Essential Scrum book.
Misalignment Across the Value Chain

Local agile optimization

Local optimization within the development organization
We do Agile here only

Downstream misaligned
Agile all the way to the customer

Goal is system (company-wide) agile optimization

Goal is have optimization across the value chain
Misalignment throughout the value chain

We’re AGILE!

Contracts should shift risk to other party

Well-defined, legally defensible annual performance assessments

I want fixed-date, budget, & scope

We build things our own way, we’ll get you the finished stuff when it’s done!

Annual budget pre-allocating every $ to be spent

Have to know the complete feature set and date upfront to plan marketing activities

We release according to our own schedule

We push work into the system as fast as we can

Attitudes
Internal management misaligned

Develop in an Agile way, but still provide all of the same plan-driven artifacts (e.g., extensive up-front requirements, full budget, and precise schedule) like before to get the project approved.

Do Agile Here

Protection of the fiefdoms

George’s group

Sure, we can do Agile, as long as I don’t have to change anything in my group!

Me too!
Me too!
Me too!
Me too!
Ensuring environmental safety

Have to hide the truth
No Opinion
No Opinion
No Opinion

I can’t say “no”
I compete with teammates
Customers are off-limits

Adaptive exploratory approach

Many organizations exploit what is currently known and predict what isn’t known

Need to have an adaptive, trial-and-error approach based on appropriate use of exploration

Info cost
Info value
Explore quickly and cheaply to learn what to exploit
Portfolio (demand) planning misaligned

Described in detail in Chapter 16 of Essential Scrum book

Estimate for accuracy not precision

T-shirt size estimating

<table>
<thead>
<tr>
<th>Size</th>
<th>Rough Cost Range</th>
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<tbody>
<tr>
<td>Extra Small (XS)</td>
<td>$10k to $25k</td>
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<tr>
<td>Small (S)</td>
<td>$25k to $50k</td>
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<tr>
<td>Medium (M)</td>
<td>$50k to $125k</td>
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<tr>
<td>Large (L)</td>
<td>$125k to $350k</td>
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<tr>
<td>Extra Large (XL)</td>
<td>&gt;$350k</td>
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(an example)
Need to balance portfolio inflow and outflow rates

Most companies violate this in Q3 of their fiscal year

Size affects performance

Product/project size affects overall portfolio performance

What happens if you get behind the large farm vehicle on a single lane country road?

How do the lifecycle profits of a product compare between one large release and multiple, smaller releases?
The importance of a WiP limit

Why should a good restaurateur not seat paying customers at an available table if 30% of the servers called in sick that evening?

Marginal economics enables fail fast

If you start working on a product/project and you subsequently decide it is not worth finishing it, will you kill it?
Executive-level Agile

Executive change / impediment backlog

Executive Scrum Team

Product owner

ScrumMaster

Team

Measurements
Define, measure, and manage “outcomes” not “output”

Outputs are “what we do”
E.g., utilization, velocity

Outcomes are “what difference we make”
E.g., Net Promoter Score

Don’t stack rank employees

Okay, HR requires I rank each of you as either a 1, 2, or 3

Oh yeah, 20% will get a 1; 70% will get a 2; and 10% will get a 3!
Misalignment with Finance team on classifying development costs

Don’t understand that Agile stuff, so to be safe, let’s expense (vs. capitalize) everything!

- Capitalize = spread investment over long-term life of asset
- Expense = take the immediate hit as an operational expense
- Classifying everything as expense results in overpaying taxes and understating value
- Accounting standards use Waterfall examples to explain capitalization rules

If agile projects are expensed and waterfall projects are capitalized, this a major impediment to adopting agile!

Standard software capitalization process

- Achieved technical feasibility
- Written managerial approval to develop
- Committed development resources
- Management confident of success
Agile financial reporting

**Features**
- Knowledge acquisition

**Defects**
- Issue with traditional budgeting
  - Requires detailed up-front projections and business plans
  - Promotes greed for finite resources
  - Use it this year or lose it next year mentality
  - Leads to utilization-based planning and execution
  - Fosters rigidity – budgets can be hard to change
  - More complicated in a project-based environment where projects touch many cost centers

**Issue with traditional budgeting**

We need a detailed budget for each cost center. You'll be measured against your budget!!!

Finance team
Agile budgeting

Allocate funding at the product or value stream level

Allow for dynamic reallocation of budgets across products / value streams

In many organizations, they know upfront how much money they have to spend or are willing to spend.

“Horizontal” budgeting (YLE – Finnish Broadcasting)

Use increment / provisional funding

Use Increment / Provisional Funding

Overhead funding  Envisioning funding  Release 1 funding

Strategic filter  Envisioning

Idea  No-go  Go

Release planning

Date  Budget

Release

Sprint-by-sprint funding
Hire people who have or want to acquire T-Shaped skills

- Ability to work outside of core area
- Functional area, discipline, or specialty
### Performance reviews

**Annual performance review is out of sync with typical agile cadence**

E.g., align feedback with sprints

Can foster low-trust competition within team rather than self-organization with a Muskeeteer attitude

Performance is mostly team-based with an individual component

### Outsource work to specialist organization (component team)

![Diagram showing product backlog outsourced to feature team with legal work and legal backlog]
Assign specialist to feature team

Specialist as consultant to feature team
**How Marketing can do marketing work in an agile way**

Backlog has marketing-related items

Columns relate to states relevant to marketing activity flow

**Dealing with Development Constraints**
Sales misaligned

How Marketing and Development interact in an agile way

We want to know dates and features NOW! So we can put our marketing plans together.

Holly *%&! We don’t know the answers to those questions on the first day!
**Range answer to fixed scope**

150 story points ÷ 22 points per sprint = 7 sprints

150 story points ÷ 18 points per sprint = 9 sprints

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**Range answer to fixed date**

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<tbody>
<tr>
<td><strong>Today’s date</strong></td>
<td>1 January</td>
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<tr>
<td><strong>Desired release date</strong></td>
<td>30 June</td>
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<tr>
<td><strong>Number of sprints</strong></td>
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<tr>
<td><strong>Average long-term velocity</strong></td>
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Must Have: 6×15

Will have: 6×20

Might have: 6×20

Won’t have: 6×20
Range answer with probability distribution

Partners misaligned

Developing software is exploratory and collaborative

Locking down critical variables on the first day is unreasonable

Change will happen and overhead of dealing with it must be fast and cheap
Agile contracts

Simple model: Run agile with contractors just like you would if you did it internally

Want a collaboration based on trust working towards a common goal (not adversaries)!

- Lease agile teams from contractor
- Fixed-cost or T&M per sprint
- Fixed cost per story point (not very effective)
### Contact info for Ken Rubin

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