



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>

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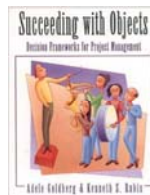
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Overview of Ken Rubin



Trained > 22,000 people
Coached > 100 companies



Author of two books



1st Managing Director of the
Scrum Alliance in 2007



Visual AGILExicon®
Creator of Visual
AGILExicon for
describing agile

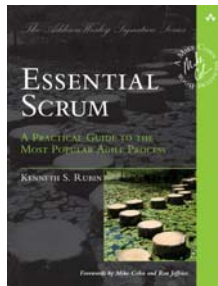


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Essential Scrum in six languages

English



French



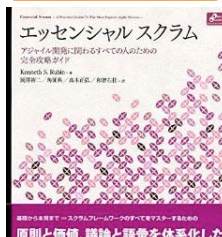
German



Chinese



Japanese



Polish



Will be signing (English-version) books at the bookstore booth after this presentation!

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Imagine...

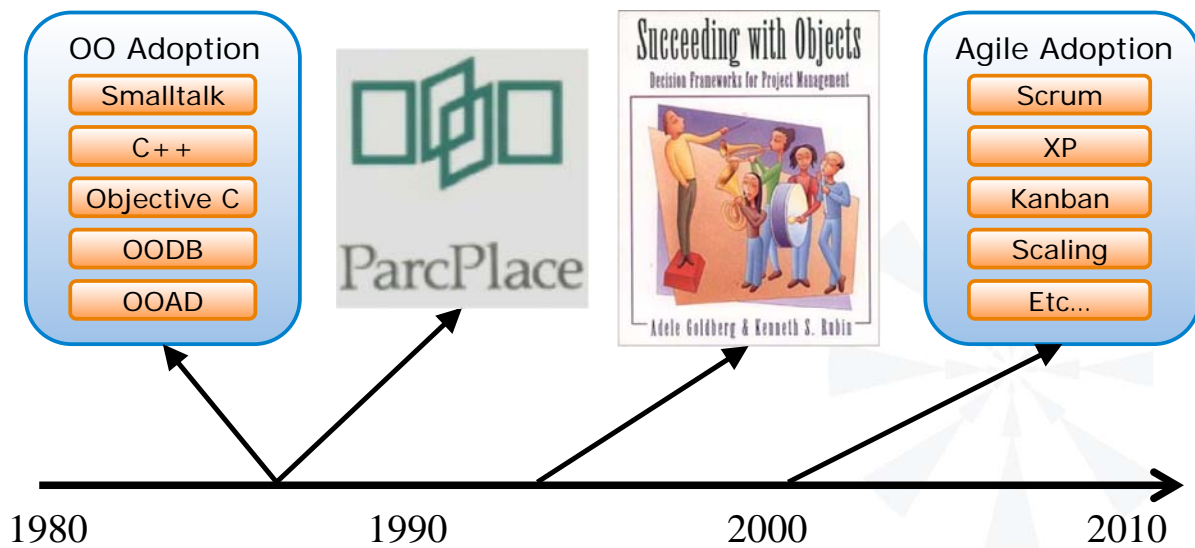
Great way to build software

You believe it is a better approach

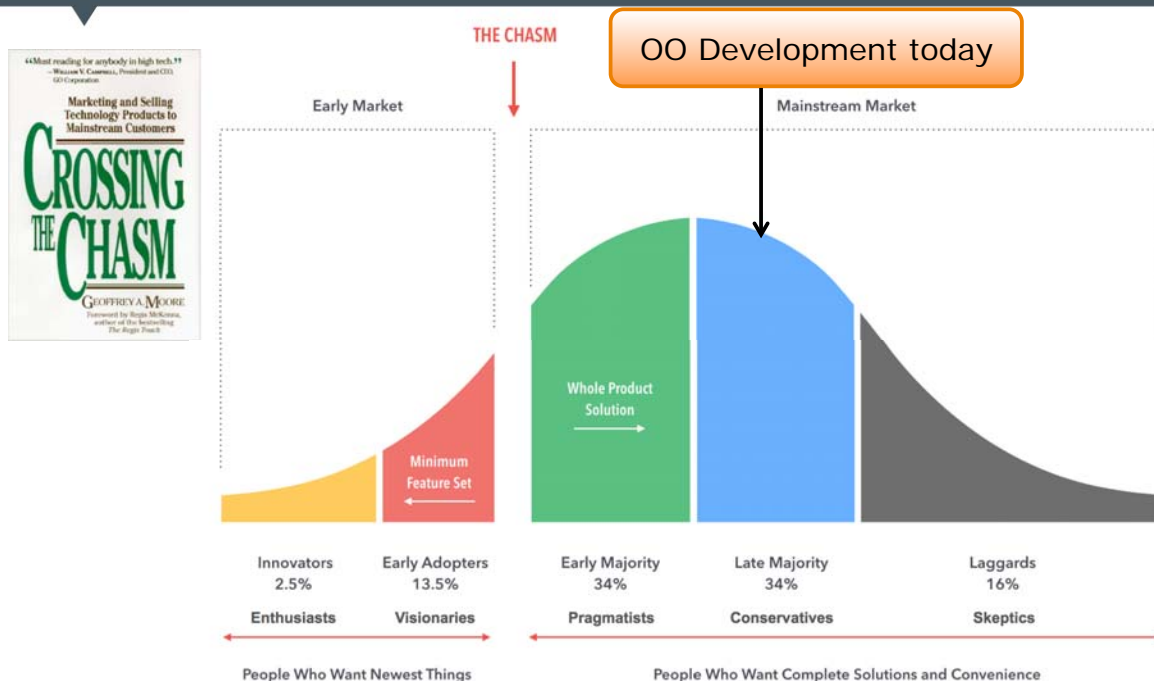
Your goal is to adopt and be successful

I'm talking about the adoption of **Agile** practices, right?

No... I was actually referring to Object-Oriented Technology in late 1980s

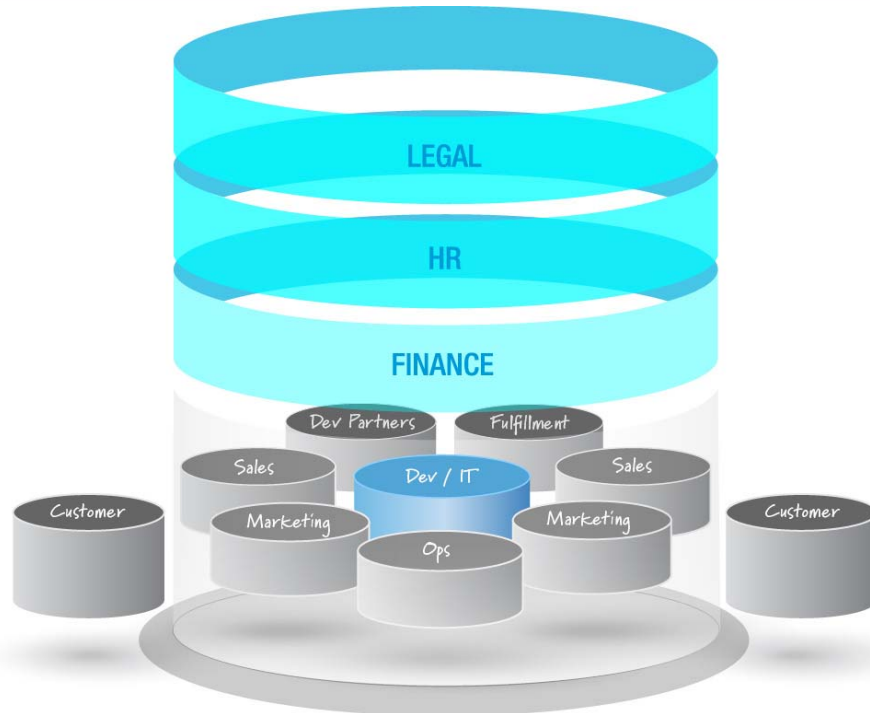


Crossing the Chasm

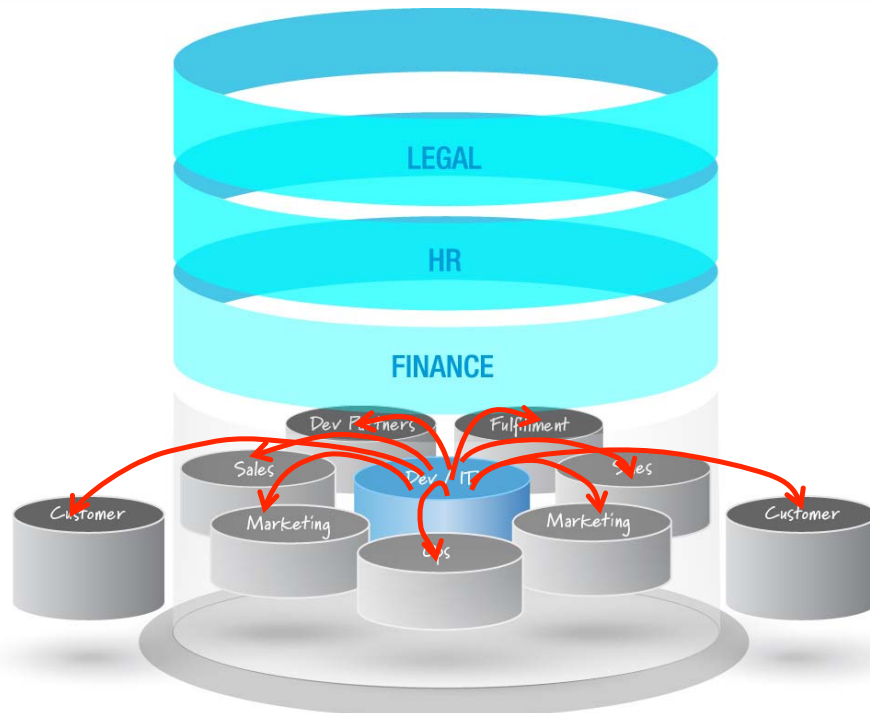


There are parallels between the adoption of OOT and Agile

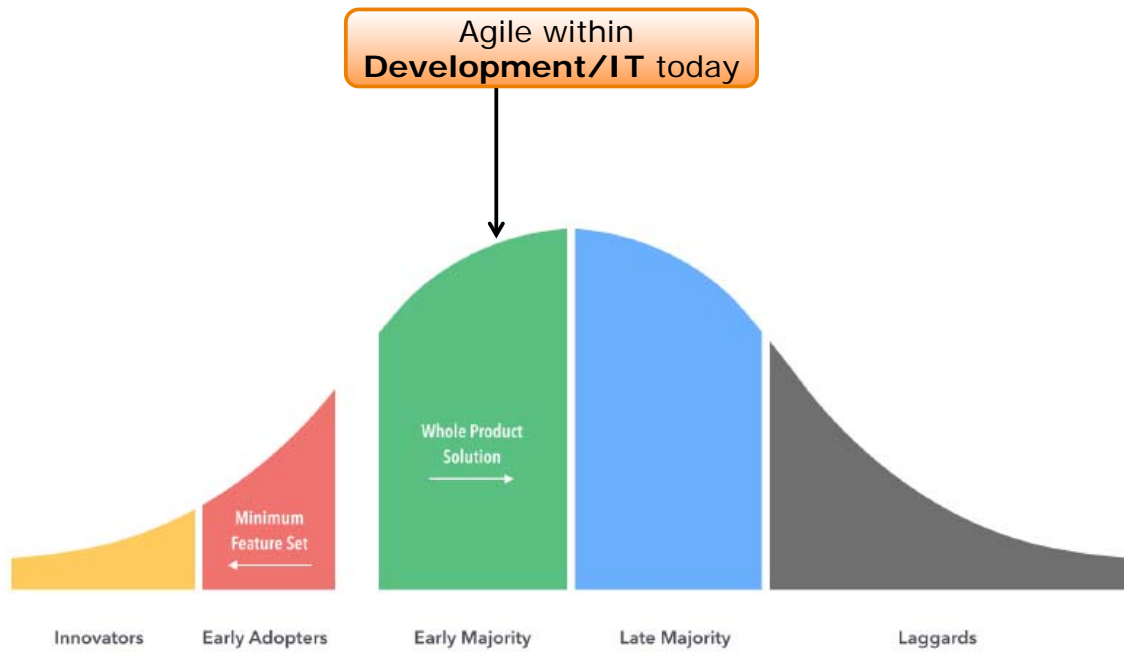
Development/IT as the entry point for adoption in the value chain



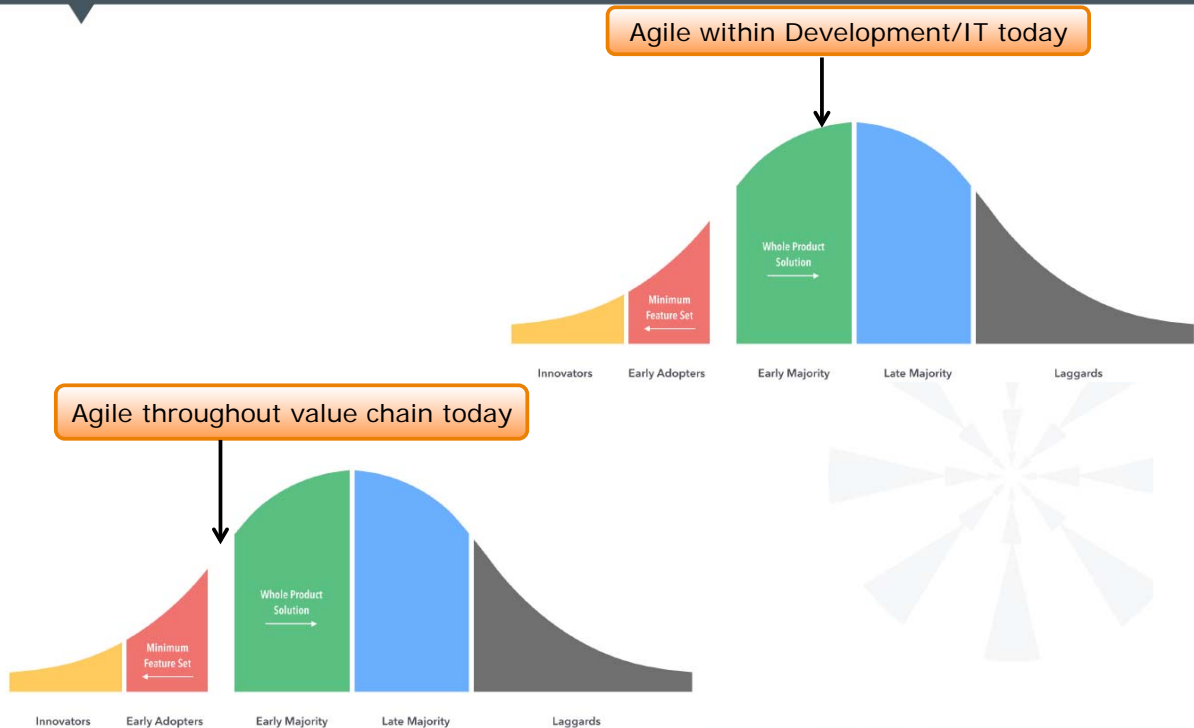
Agile adoption has tentacles that touch most parts of an organization



Agile adoption in Development/IT



Agile adoption throughout the value chain



✦ Thesis of this presentation

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.



✦ Agile principles provide context for alignment

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

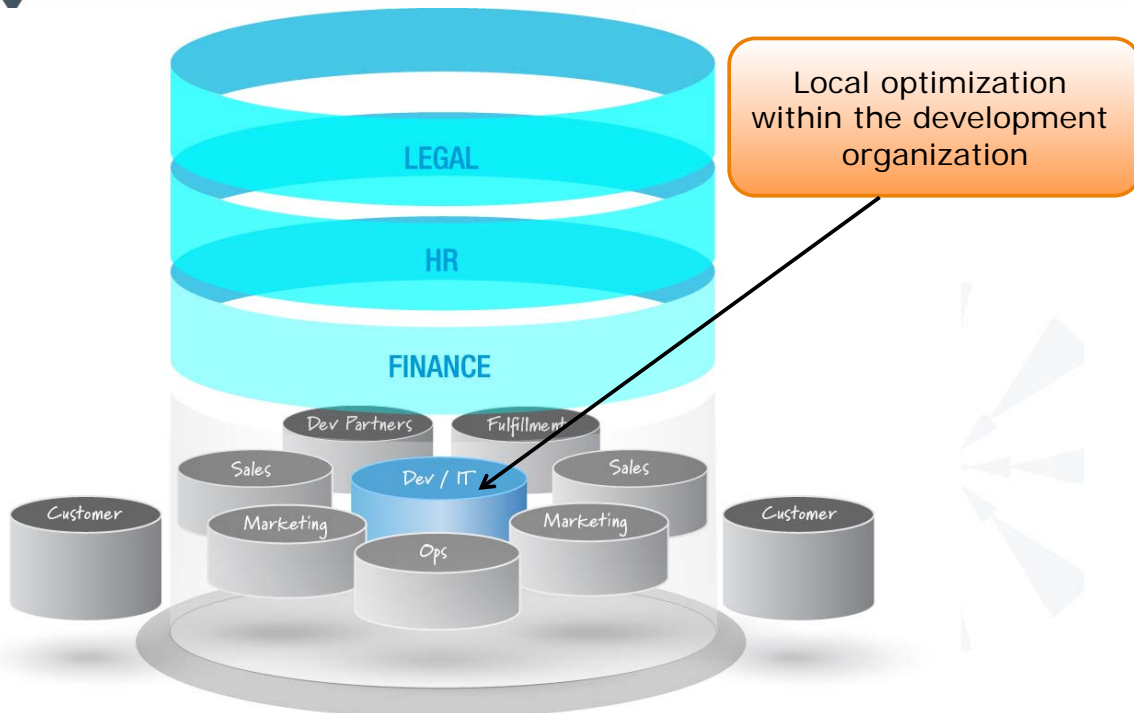




Misalignment Across the Value Chain

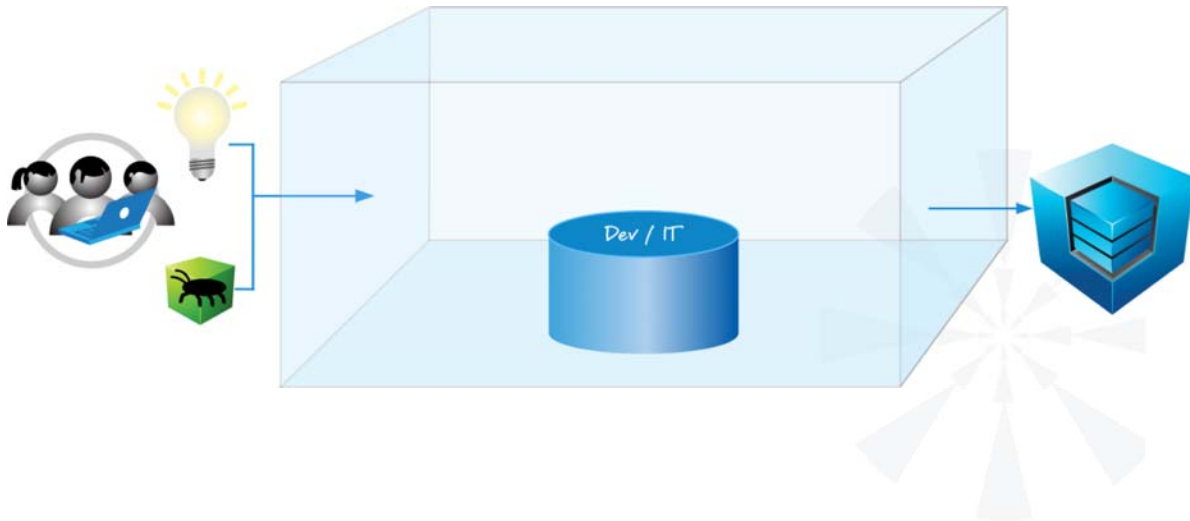


Local agile optimization

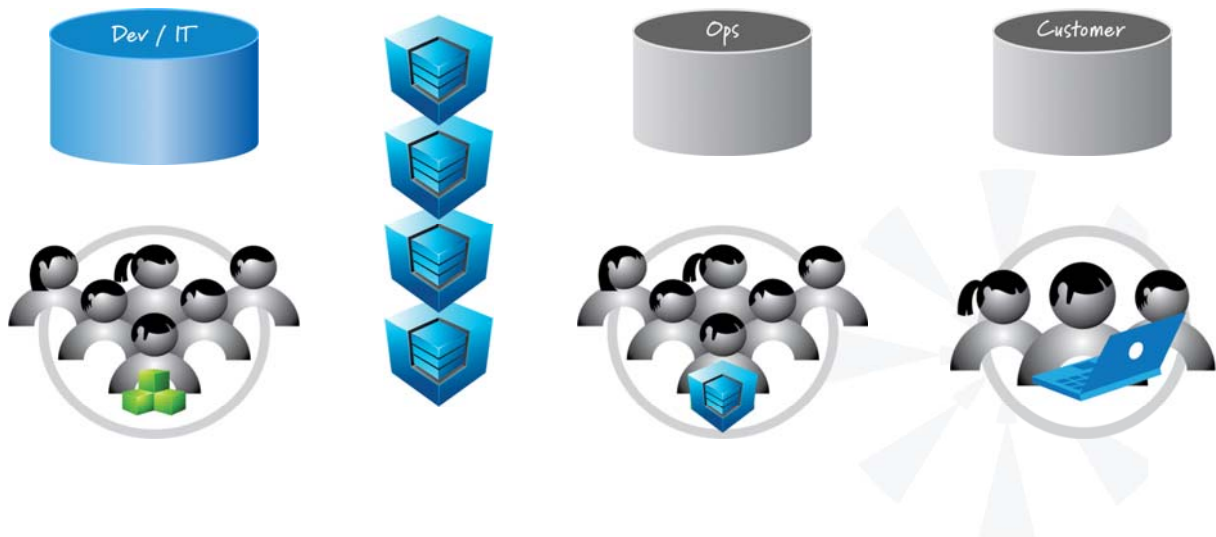


✦ Agile in Development/IT

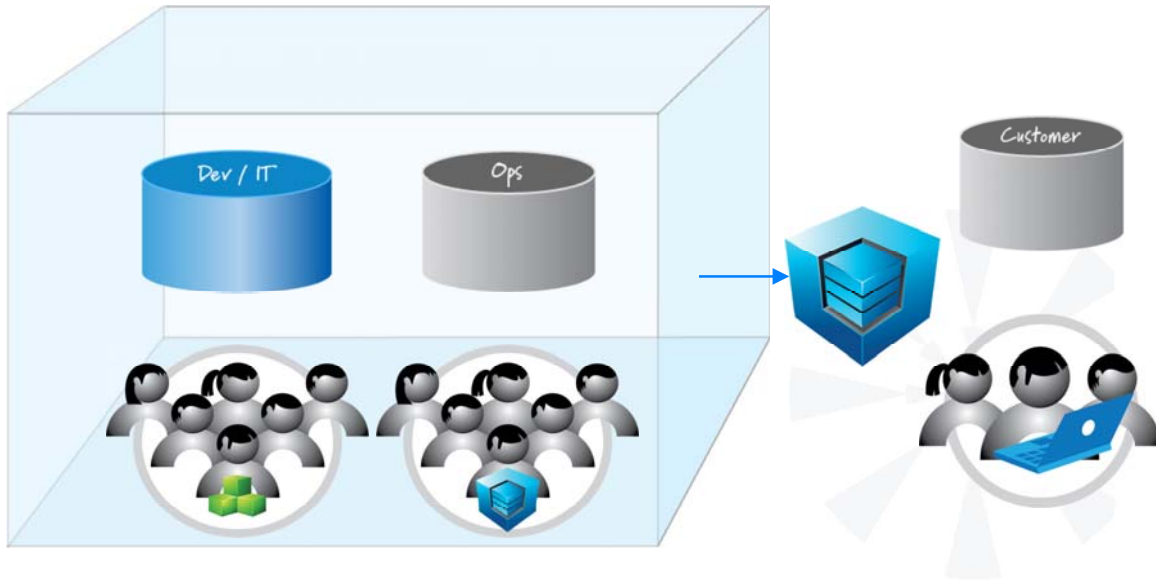
We do Agile here only



✦ Downstream misaligned

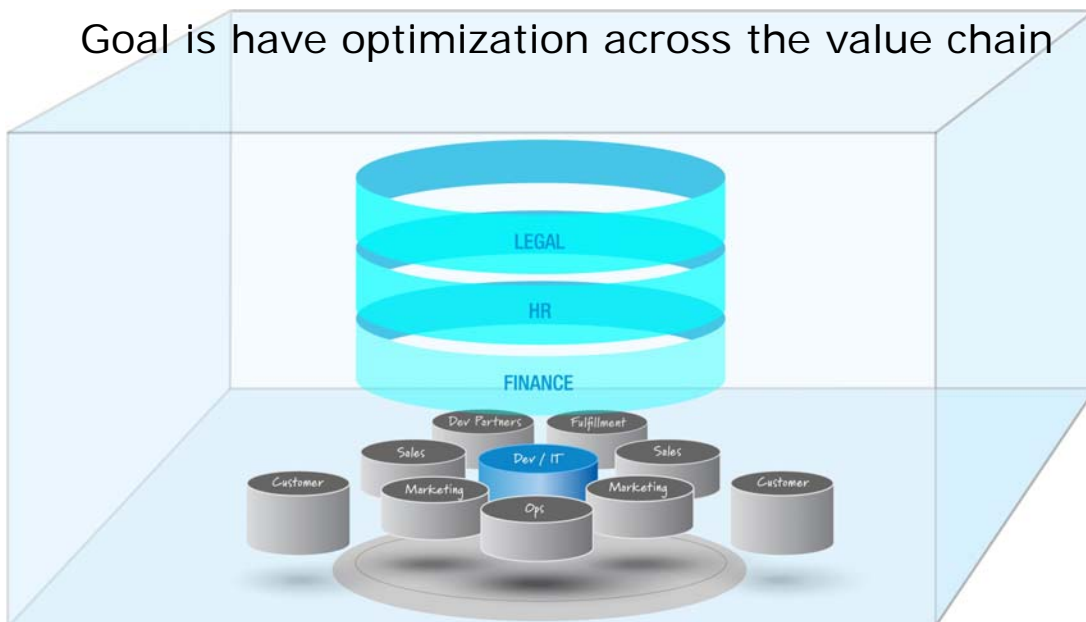


✦ Agile all the way to the customer

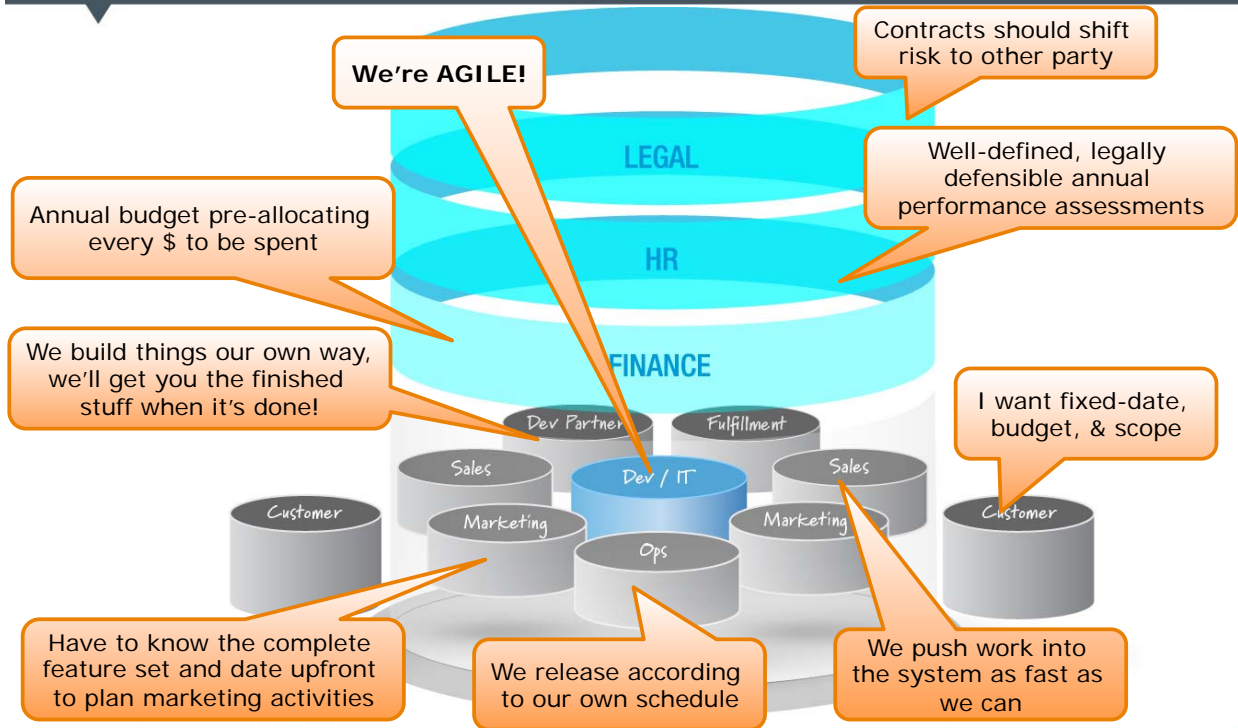


✦ Goal is system (company-wide) agile optimization

Goal is have optimization across the value chain

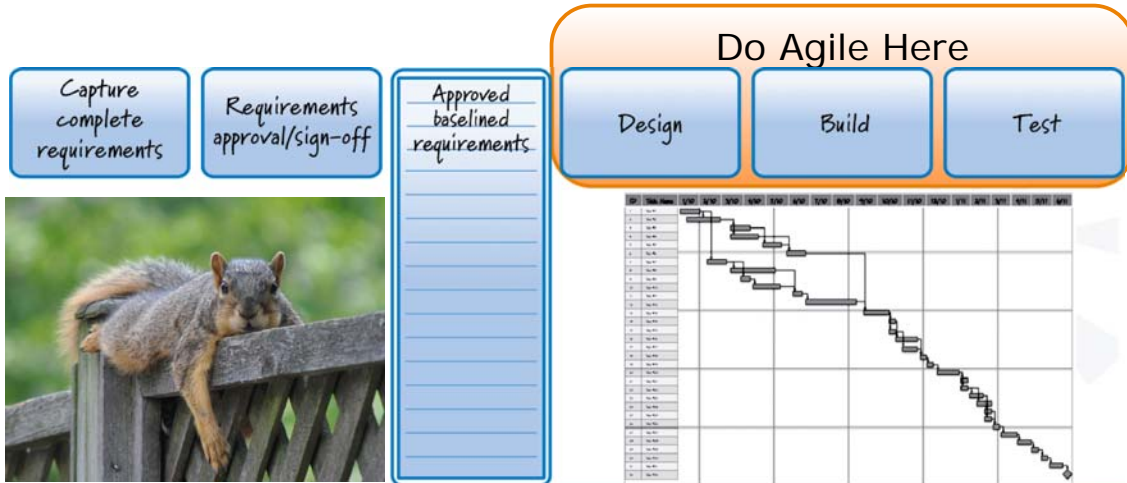


Misalignment throughout the value chain



Internal management misaligned

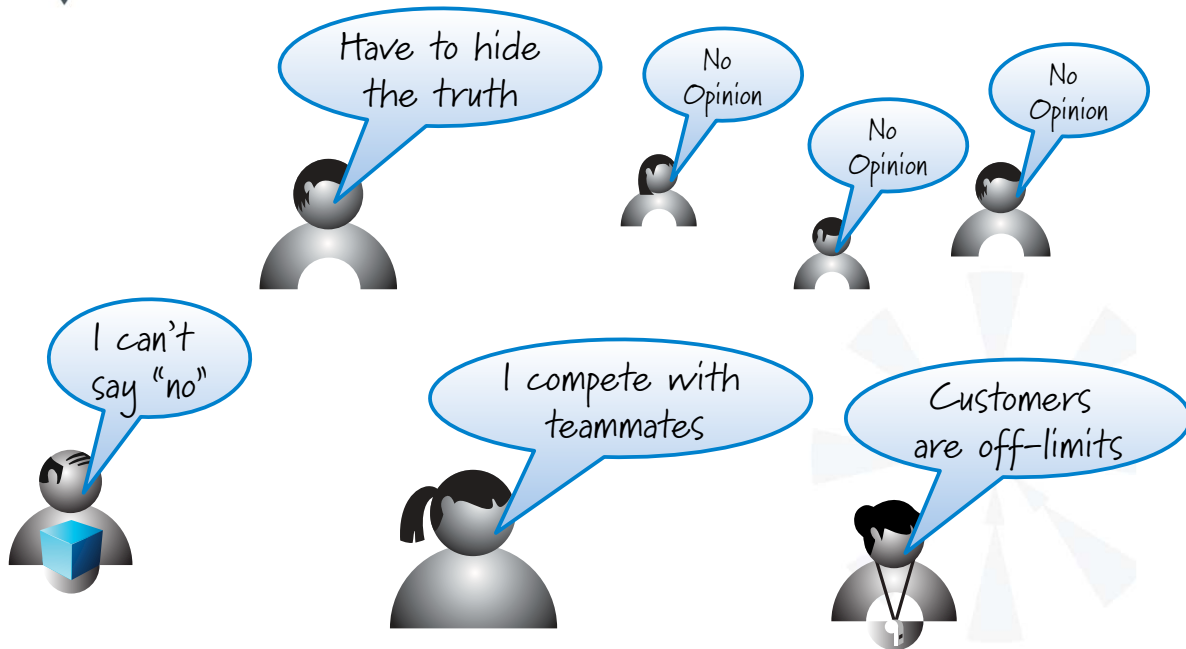
Develop in an Agile way, but still provide all of the same plan-driven artifacts (e.g., extensive up-front requirements, full budget, and precise schedule) like before to get the project approved



Protection of the fiefdoms



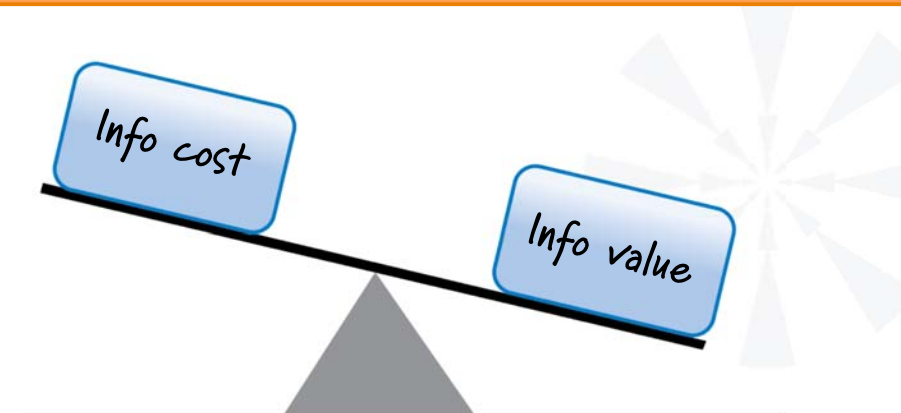
✦ Ensuring environmental safety



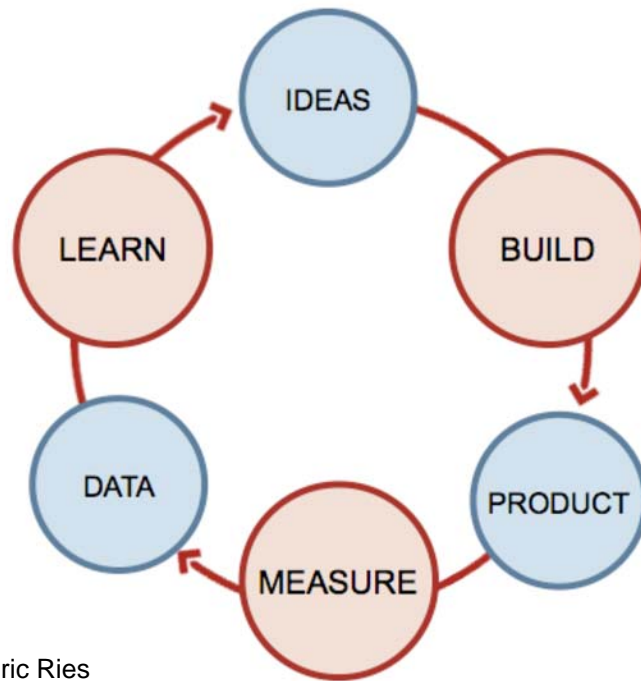
✦ Adaptive exploratory approach

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**



Explore quickly and cheaply to learn what to exploit



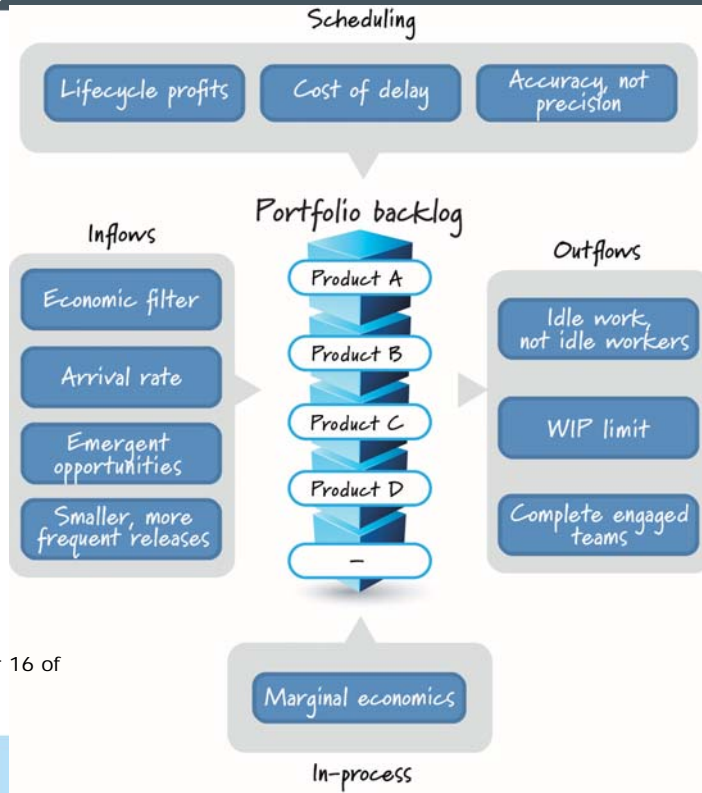
Lean Startup by Eric Ries



Executives



Portfolio (demand) planning misaligned



Described in detail in Chapter 16 of Essential Scrum book

Estimate for accuracy not precision

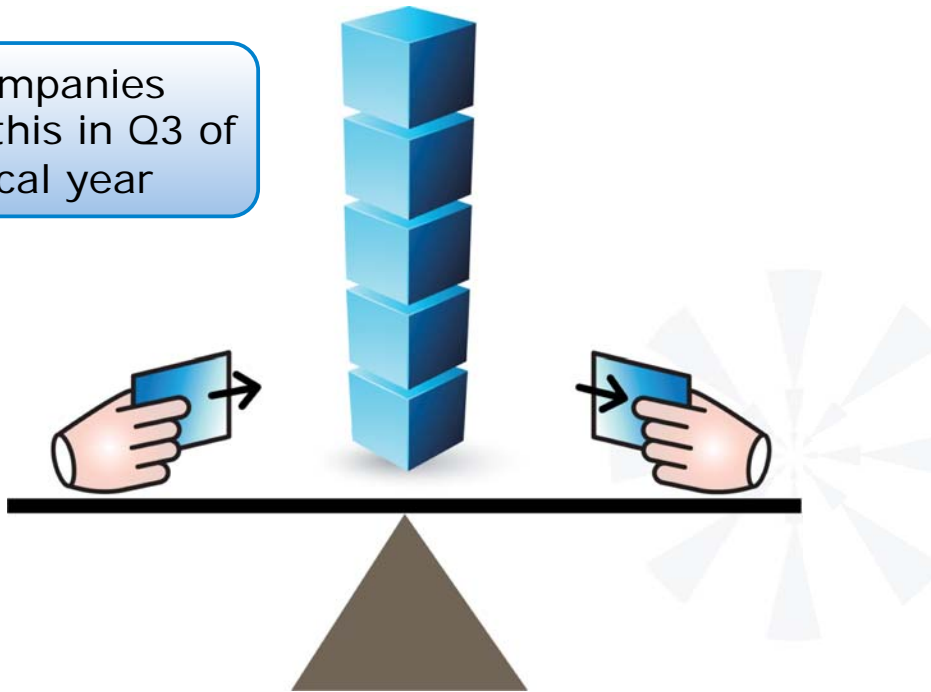
T-shirt size estimating

Size	Rough Cost Range
Extra Small (XS)	\$10k to \$25k
Small (S)	\$25k to \$50k
Medium (M)	\$50k to \$125k
Large (L)	\$125k to \$350k
Extra Large (XL)	>\$350k

(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?

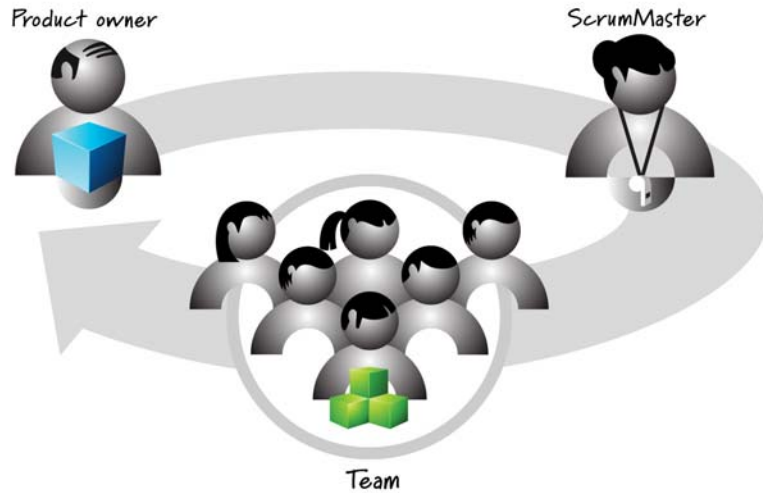


Executive-level Agile

Executive change /
impediment backlog



Executive Scrum Team



Measurements



Define, measure, and manage "outcomes" not "output"

Outputs are "what we do"

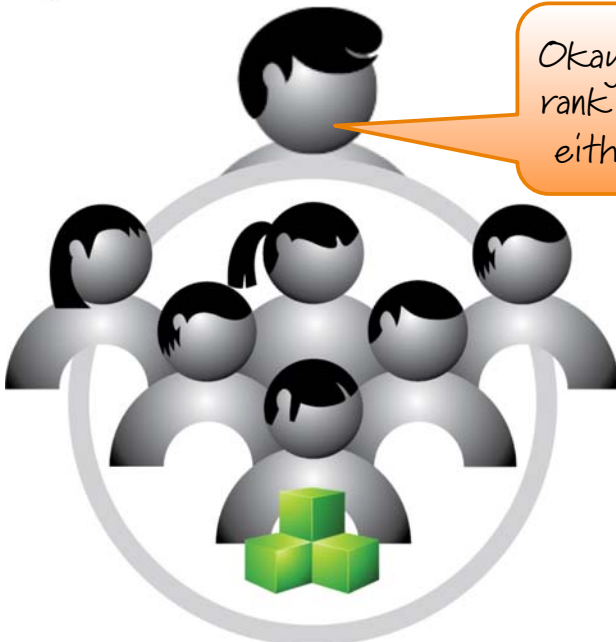
E.g., utilization, velocity

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!

Finance team



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!



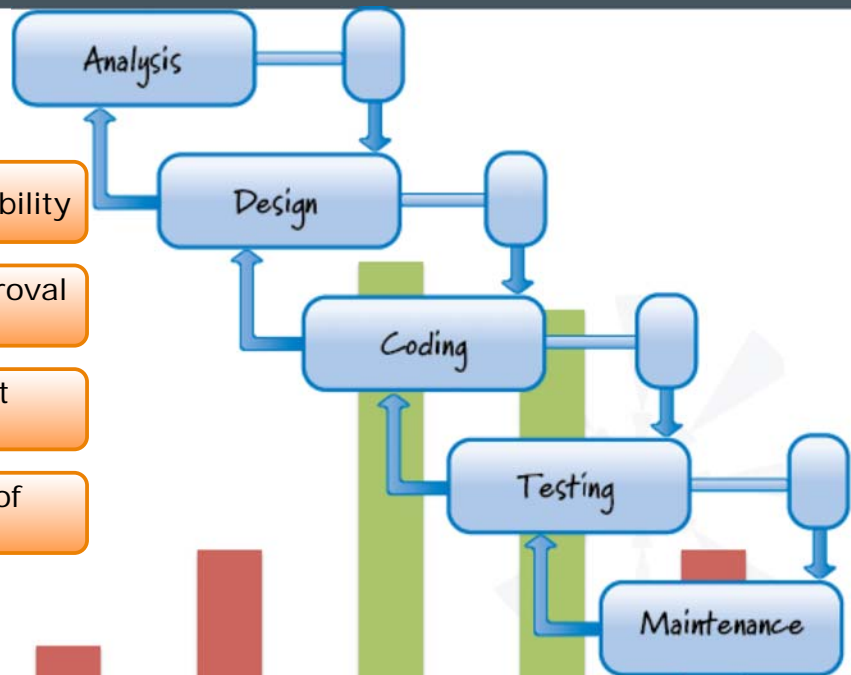
Standard software capitalization process

Achieved technical feasibility

Written managerial approval to develop

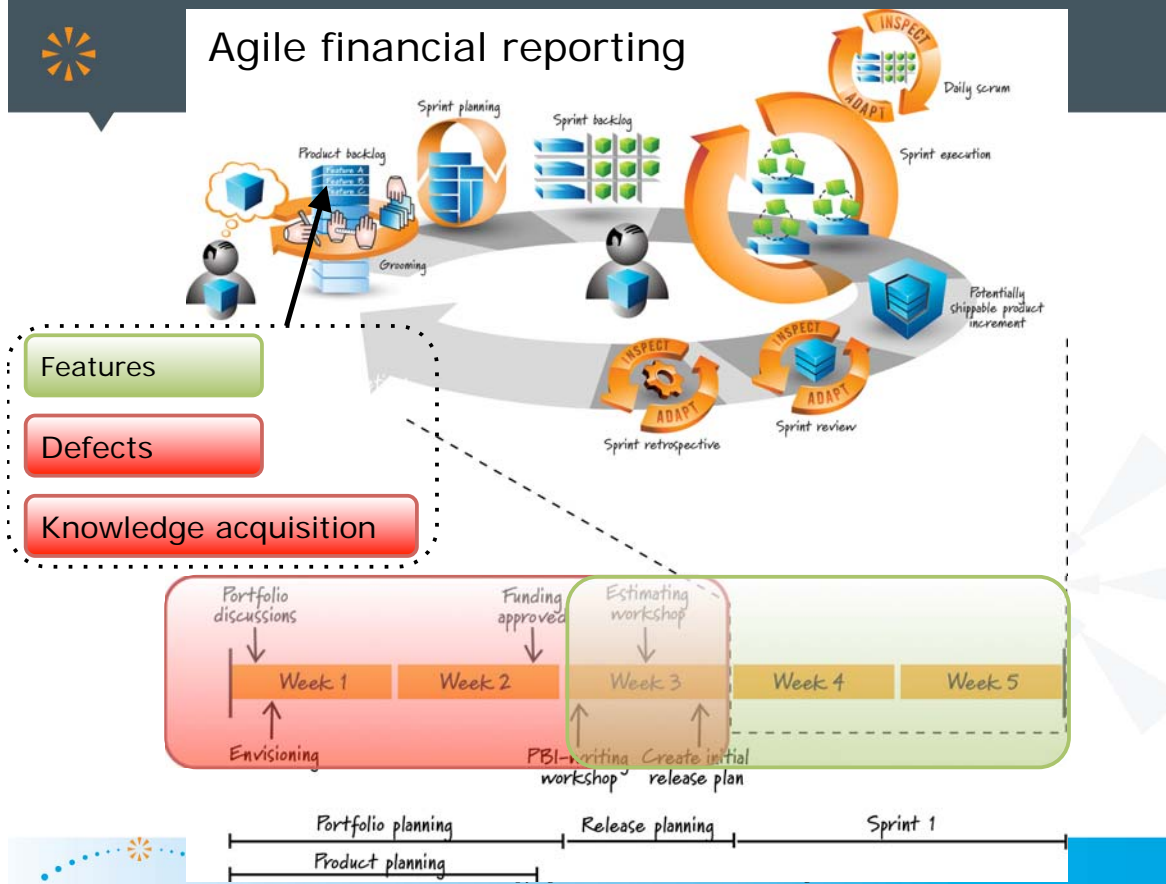
Committed development resources

Management confident of success





Agile financial reporting



Issue with traditional budgeting

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

Finance team



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



✦ Agile budgeting

Allocate funding at the product or value stream level

Allow for dynamic reallocation of budgets across products / value streams

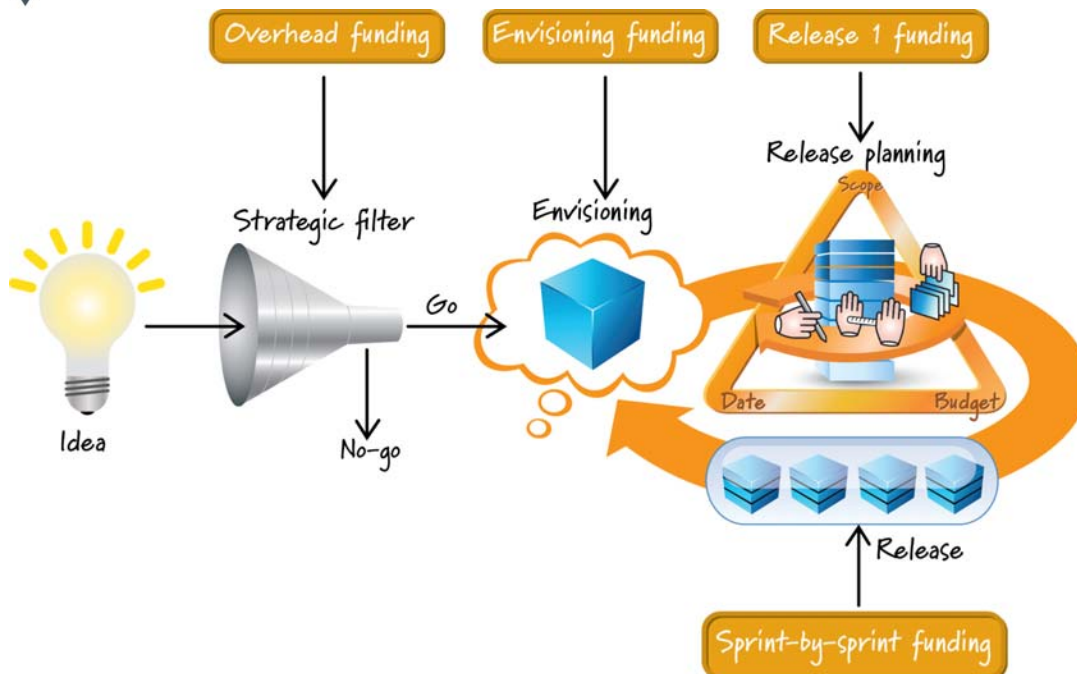
In many organization they know upfront how much money they have to spend or are willing to spend

“Horizontal” budgeting (YLE – Finnish Broadcasting)

Use increment / provisional funding

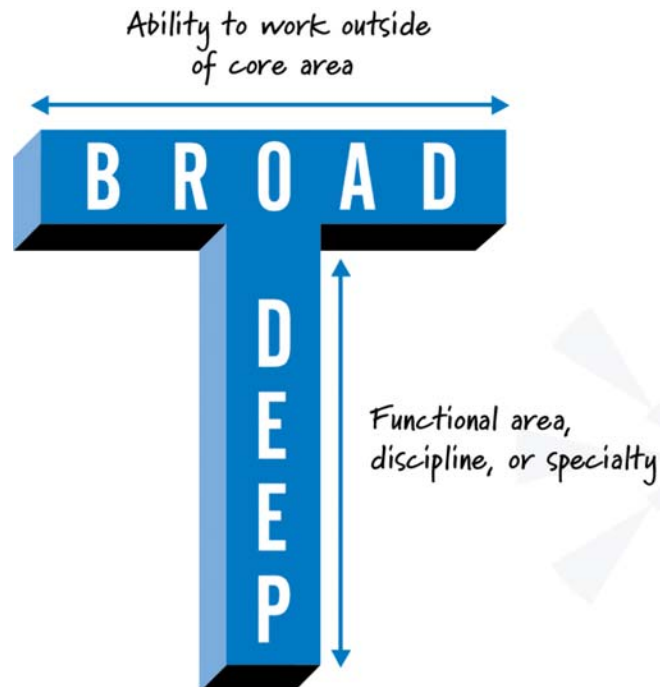


✦ Use Increment / Provisional Funding



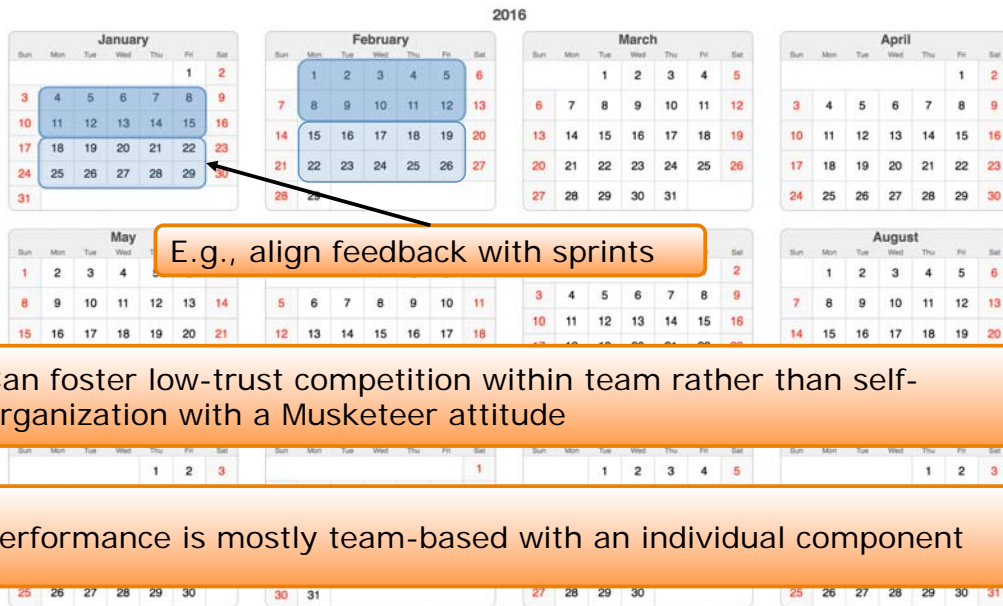


Hire people who have or want to acquire T-Shaped skills

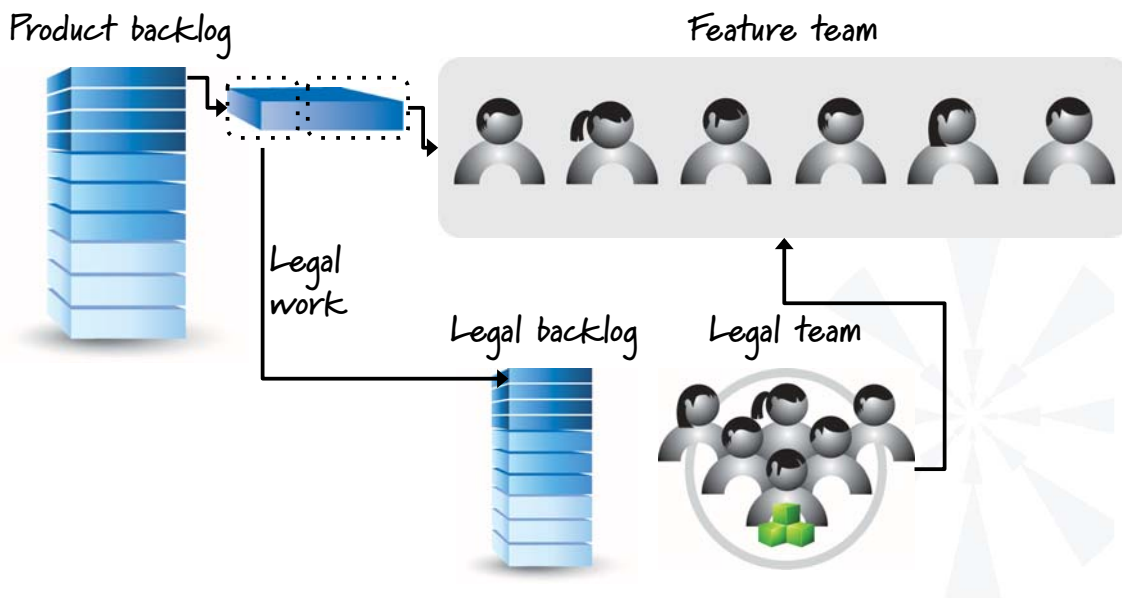


Performance reviews

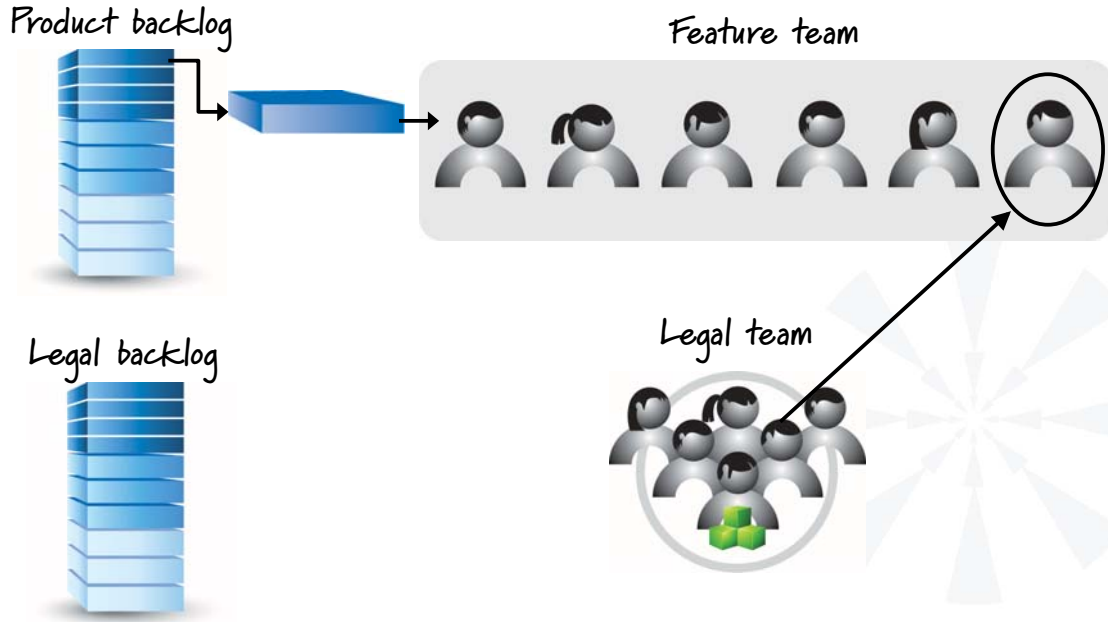
Annual performance review is out of sync with typical agile cadence



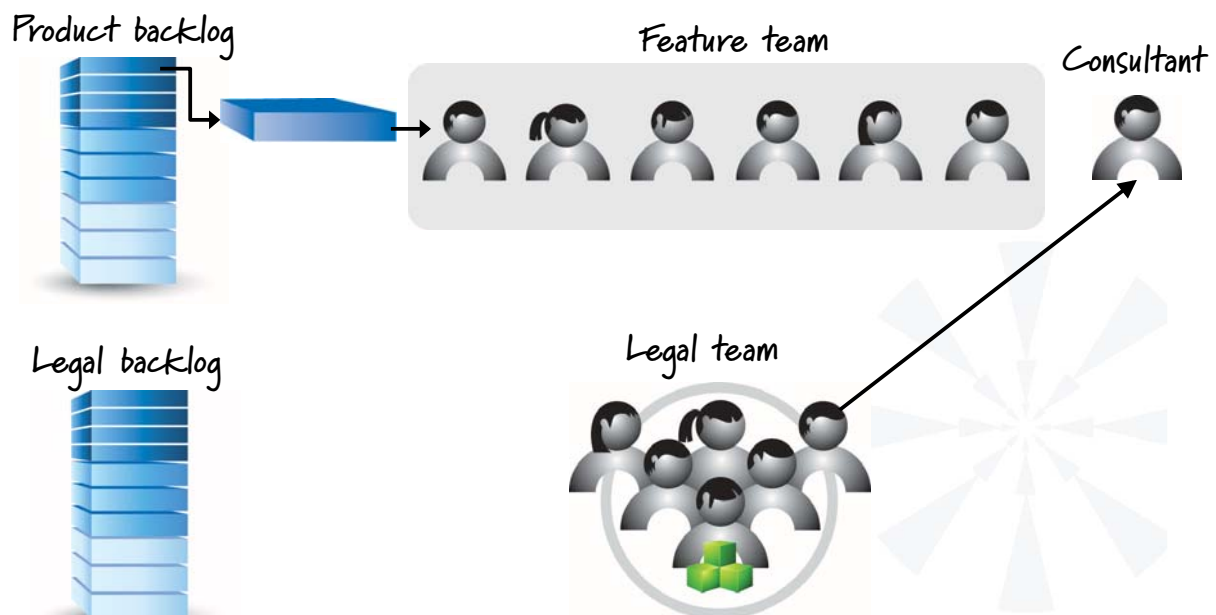
Outsource work to specialist organization (component team)



✦ Assign specialist to feature team

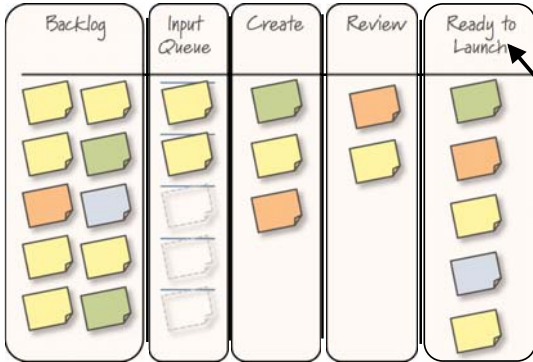


✦ Specialist as consultant to feature team



How Marketing can do marketing work in an agile way

Backlog has marketing-related items



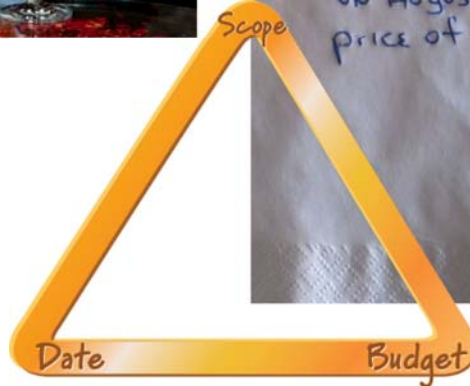
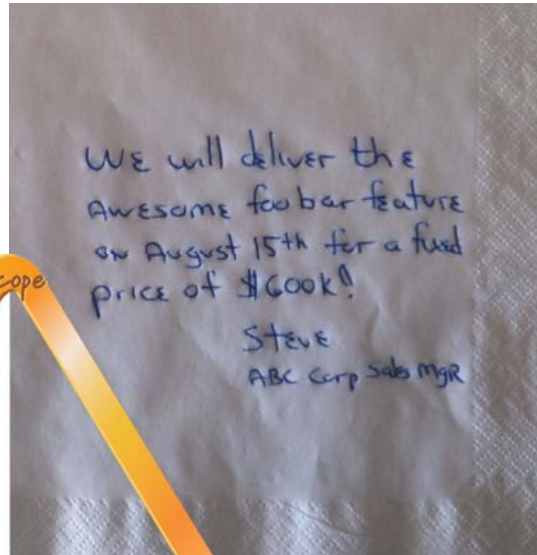
Columns relate to states relevant to marketing activity flow



Dealing with Development Constraints



✦ Sales misaligned



✦ How Marketing and Development interact in an agile way

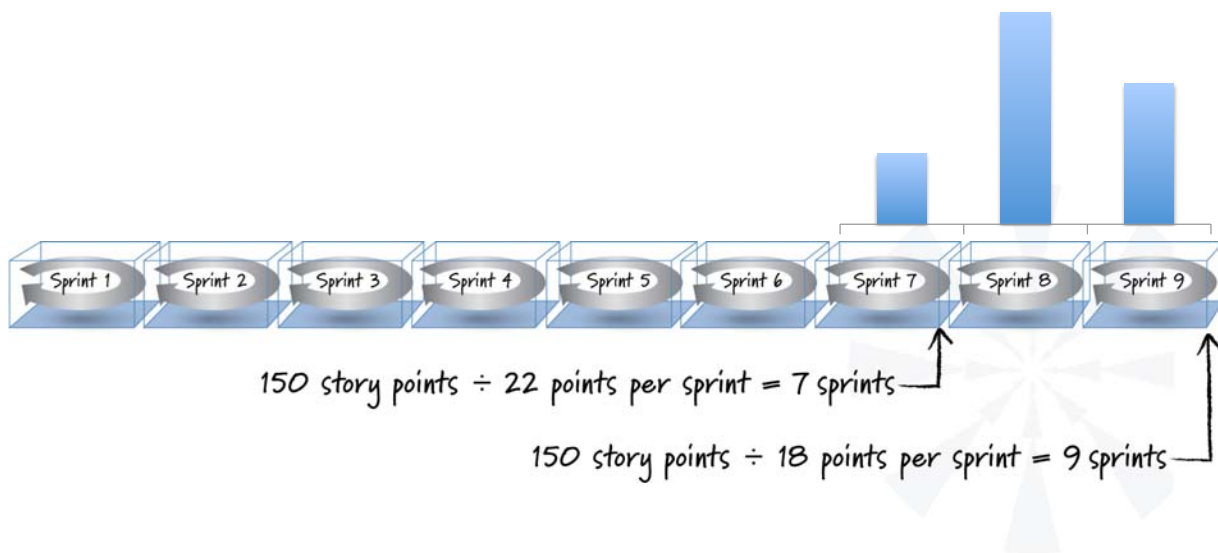
We want to know dates and features NOW! So we can put our marketing plans together



Holly *?&! We don't know the answers to those questions on the first day!

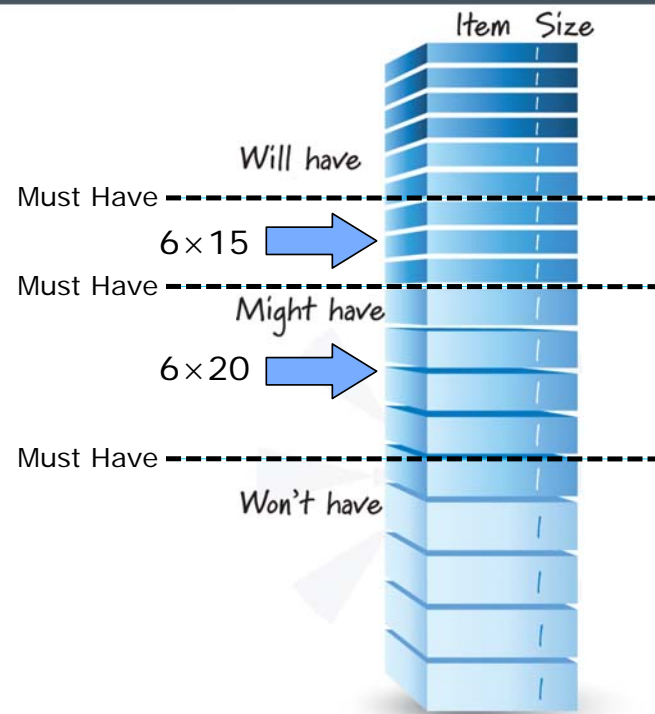


✶ Range answer to fixed scope

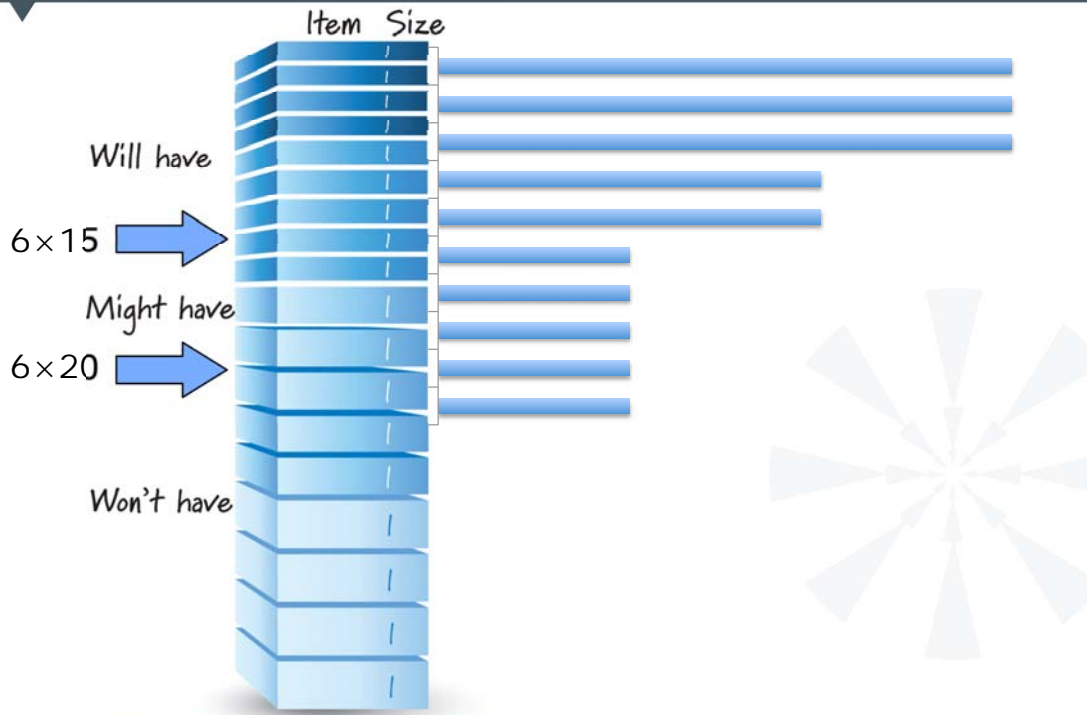


✶ Range answer to fixed date

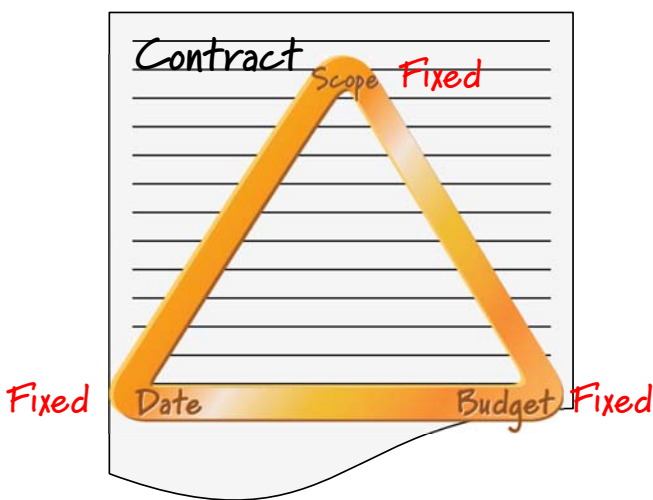
Today's date	1 January
Desired release date	30 June
Number of sprints	6 (monthly)
Average low velocity	15
Average long-term velocity	20



Range answer with probability distribution



Partners misaligned

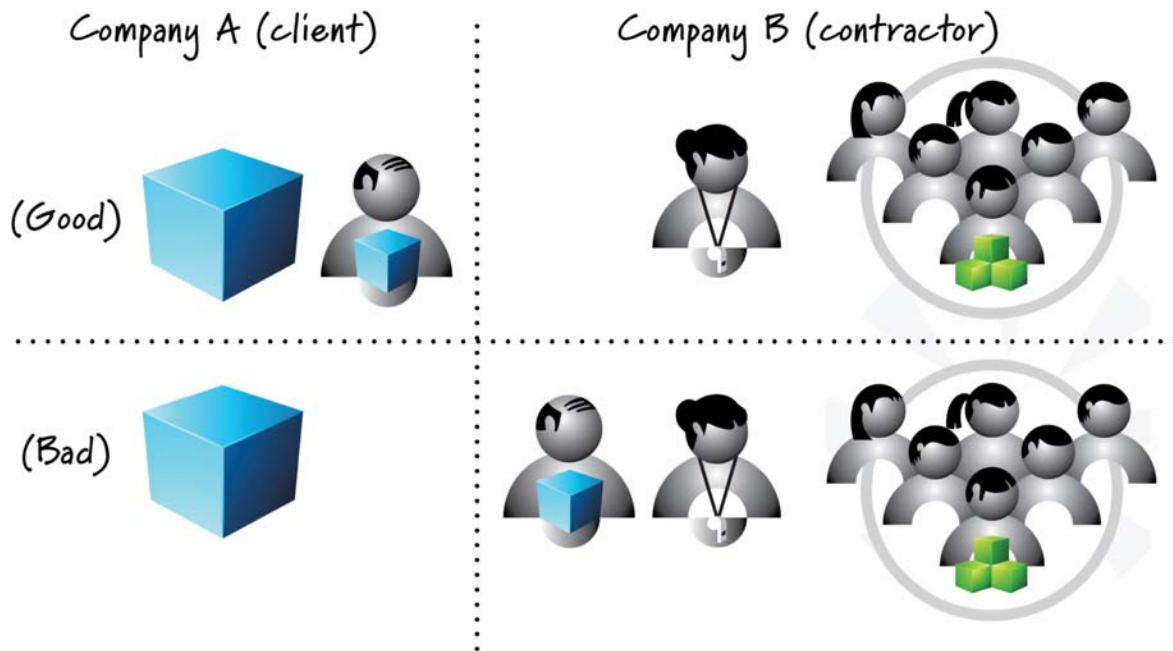


Developing software is exploratory and collaborative

Locking down critical variables on the first day is unreasonable

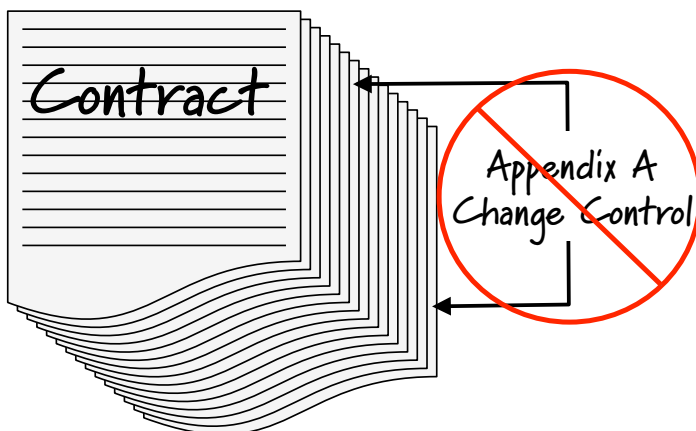
Change will happen and overhead of dealing with it must be fast and cheap

Patterns for contractor development



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)



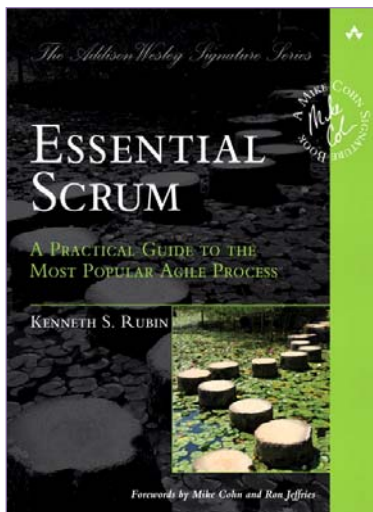
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