

# A Discussion on Project Based Costing in an Agile World

Let's talk about it if we must...



# Jake Case

Vice President of Operations  
Agile Big Picture





Why can't project costing processes and agile development processes just get along?

# Management Mindsets

## Vertical Mindsets (traditional):

- Strategy is set at the top and authority to make decisions trickles down through the hierarchy
- The goal is to make money and protect market position; the primary behavior is to conserve previous wins

## Horizontal Mindsets (agile):

- Strategy is a collaboration
- The goal is to delight customers through continuous innovation; the primary behavior is to empower others to use discretion

*These two mindsets have a very different focus!!!*

# A focus on value to the customer is needed!



Project costing and agile development do co-exist in many environments today. Understanding the focus of each methodology is helpful in identifying some of the resulting behavioral differences

- A focus on consumable items of value to customers (products) as opposed to planned pieces of work (projects) is needed
- Focus on value and specifically value delivery to your customers, is the key point here

*The operational mechanics of how your organization looks at work does matter!*

# Collaboration is the key to changing the organization



Market turbulence has necessitated a change away from the traditional business approach in order to remain competitive in the marketplace



A focus on results, such as efficiency and predictability, are the common ground for both the traditional and business mindsets

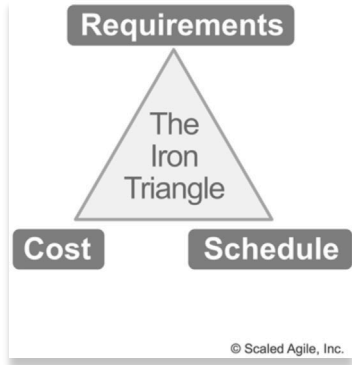
Achieving speed, and adaptability, and true Business Agility, requires some considerable changes



How does your organizational focus differ when it comes to looking at the work?





# What will be changing for traditional mindsets?





- The old iron triangle components remain but are handled completely differently:
  - Cost and schedule are fixed via 10-week timeboxes
  - Scope is negotiated per timebox based on the capacity of the organization
  - A focus on consumable items of value to customers (products) as opposed to planned pieces of work (projects) is needed
- The operational mechanics of how your organization views work does matter!
  - Internal competition over 'key resources' is avoided
  - All scope elements are visible for sizing
  - Prioritization is collaborative amongst stakeholders
  - Knowledge workers are not disrupted by a shift from project to project

# How do we move from the old mindset towards the new?



## Change what you fund

Funding projects	VS.	Funding Value Streams
		
<p>Funding work as projects causes friction, unnecessary overhead, and delays.</p>		<p>Funding Value Streams, along with budget Guardrails, enables faster value delivery while maintaining financial and fitness for use governance.</p>

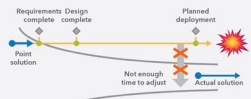

## Discuss investments more frequently

Big up-front commitment	VS.	Initial commitment limited to MVP
		
<p>Detailed business cases drive over-specificity and commitment too early in the cone of uncertainty due to the large effort invested.</p>		<p>Lean business cases provide just enough detail to establish viability, a definition of a minimum viable product (MVP) with a business outcome hypotheses, and deployment impact.</p>

## Stop pretending we know everything up front

Big up-front annual plan and budget	VS.	Rolling wave planning and budgeting
 <p><b>Annual planning</b></p>		
<p>Annual planning and rigid budgeting cycles inhibit the ability to respond to change.</p>		<p>Rolling wave planning and dynamically adjusting budgets enables adapting to change.</p>

## Learn faster

Phase-gated development	VS.	Incremental development
		
<p>False-positive feasibility of initiatives due to waterfall measures of progress and phase-gates. Defers learning to the end.</p>		<p>Delivers working solutions faster and earlier than phase-gated approaches. Learning is continuous and adjustments can be made incrementally each iteration.</p>



# Focus on the customer and increase the visibility of efforts

## Embrace design thinking

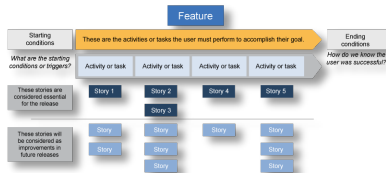
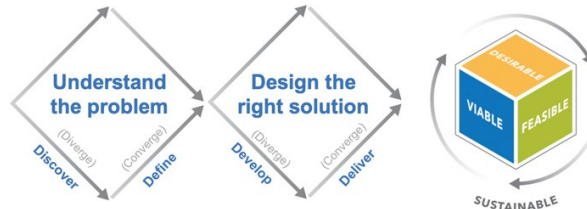
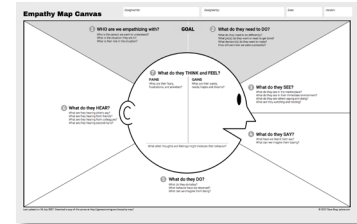
**Cary the Consumer**  
 Age: 36  
 Location: Reno, Nevada, USA  
 Time in App: 10 minutes

"I'm a working dad with three children ages 3, 6, and 10. I'm also in a band, which means I want to spend as much time as possible with my kids and my band. I need my package delivered on time so that I can maximize time with my family."

I like technology! I have an iPhone, iPad, and nice home Wi-Fi setup	I'm not home on some weekends	I'd rather order online than dial the phone and talk to somebody
My wife also works during the week, so she doesn't have much spare time to help	Text is my favorite form of communication with suppliers	I don't own a computer, only tablets and phones

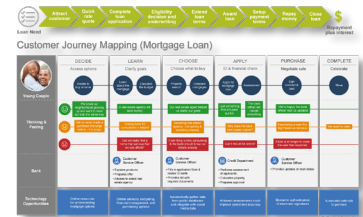
Get inside your customers head with Empathy Maps

Make it personal for stakeholders with Personas



Use story mapping to granulate the work as needed

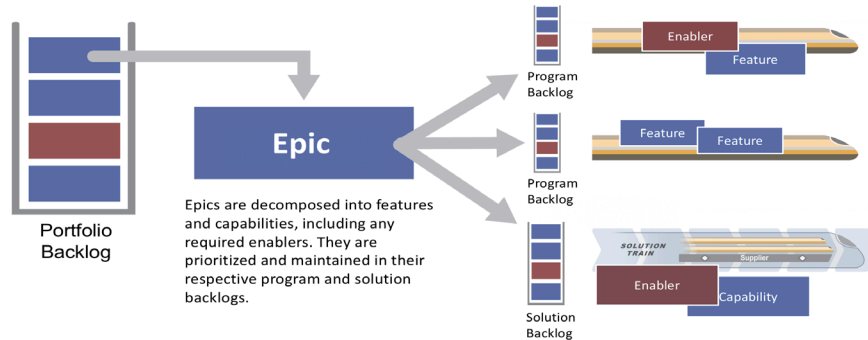
Shape what the customer experiences with Journey Maps



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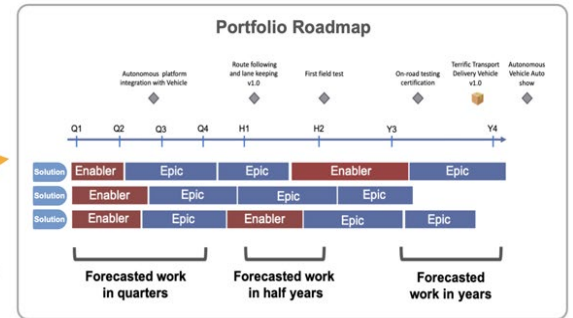
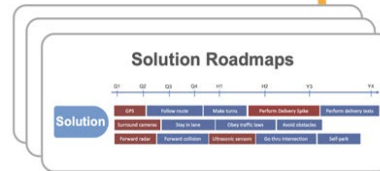
# Increased visibility helps us make better decisions

Visibility at several levels of detail provides a much more accurate picture of the investment being made to deliver real customer value



Epics are decomposed into features and capabilities, including any required enablers. They are prioritized and maintained in their respective program and solution backlogs.

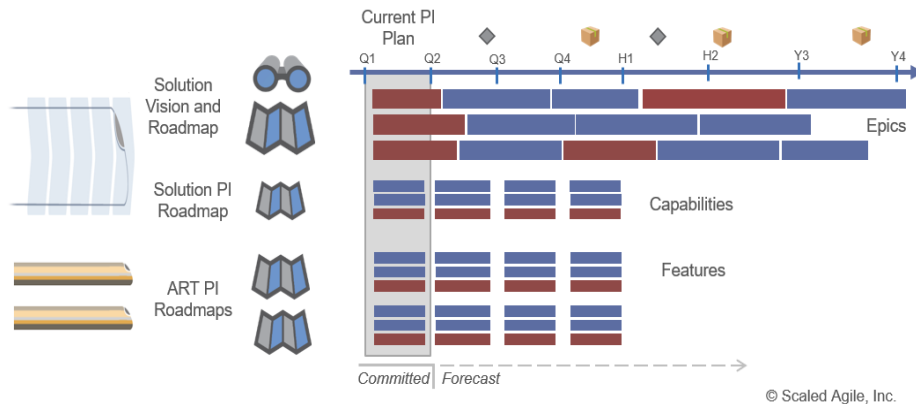
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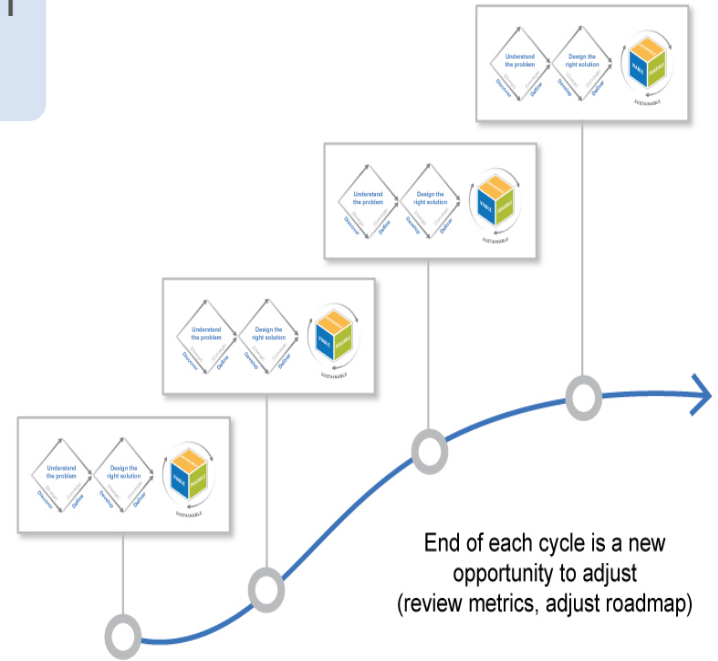
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# Becoming a learning organization is crucial

Frequent learning cycles help drive focus on the highest value opportunities



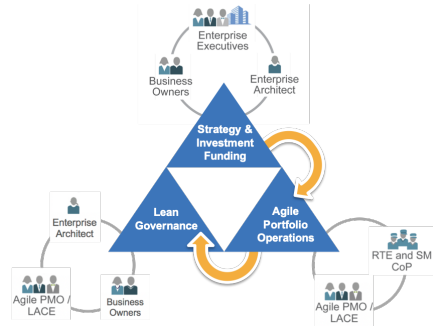
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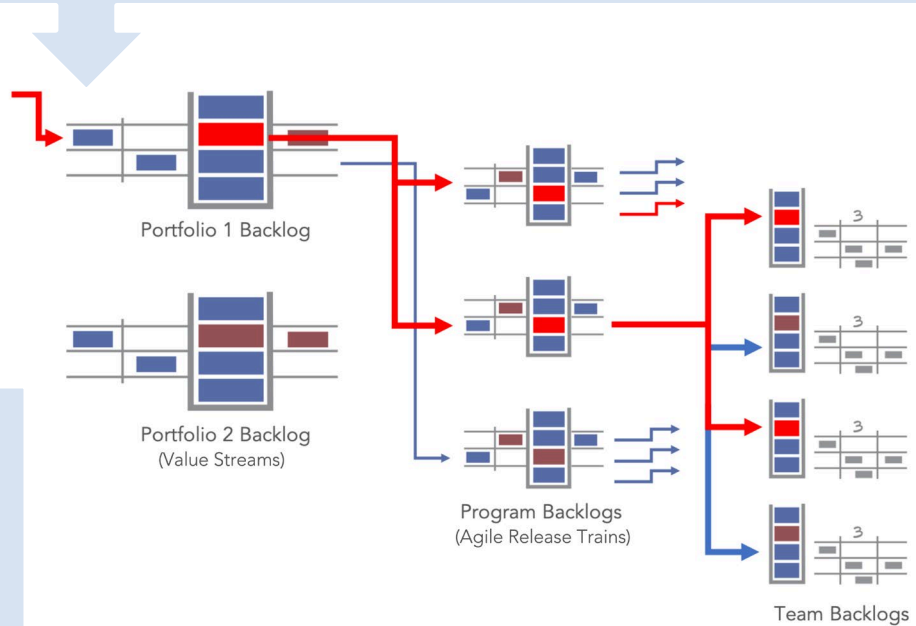
# Solidify partnership behaviors throughout organization

Visibility of the work paired with a collaborative decision-making process leads to shared accountability throughout the organization

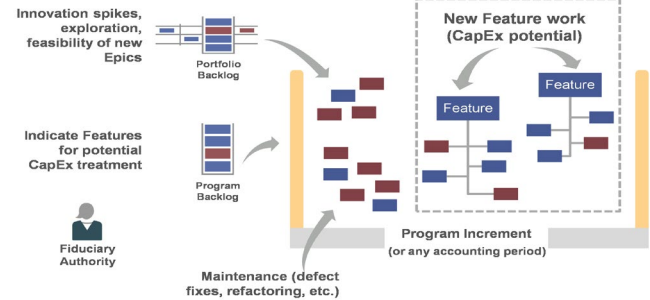
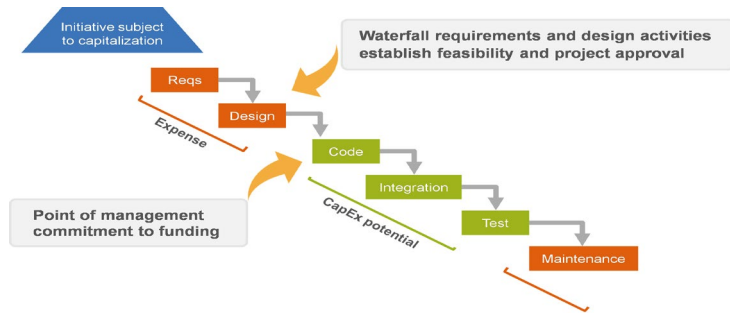


Imagine the power of a conversation between Product Managers and stakeholders (Business Owners, Finance, Accounting, HR...etc) coming out of a System Demo!

**Epic**  
Epic spawned by a new strategy



# CapEx vs. OpEx: Understanding how and why your work gets classified



## ▶ What the heck does ‘technologically feasible’ mean anyway?

- In simple terms it means the point at which we can capitalize work as a recognized asset to the company
  - From an agile perspective, all the work needed to deliver value is weighted equally and just considered part of what is needed to be “done”
  - Each level of granularity is visible and easily associated with a level of effort for delivery
- ▶ Time tracking, along with developmental phase gates, are leveraged heavily in a traditional project environment
- The accumulated data can be extremely misleading due to common inaccuracies



Management guidance around these classifications can lead to some undesired behaviors!



## A fun learning from the field

If you want to have a fun conversation with your Finance and Accounting friends start the conversation with a statement like the following:

*“In Agile we focus on value delivery to customers early and often through demonstrable functionality so why don’t we just switch over to an **OIBDA** model?”*

Full disclosure, I tried this with a CFO once and the word ‘interesting’ just doesn’t quite indicate the magnitude of passion elicited during the discussion



**(OIBDA)** = Operating income before depreciation and amortization

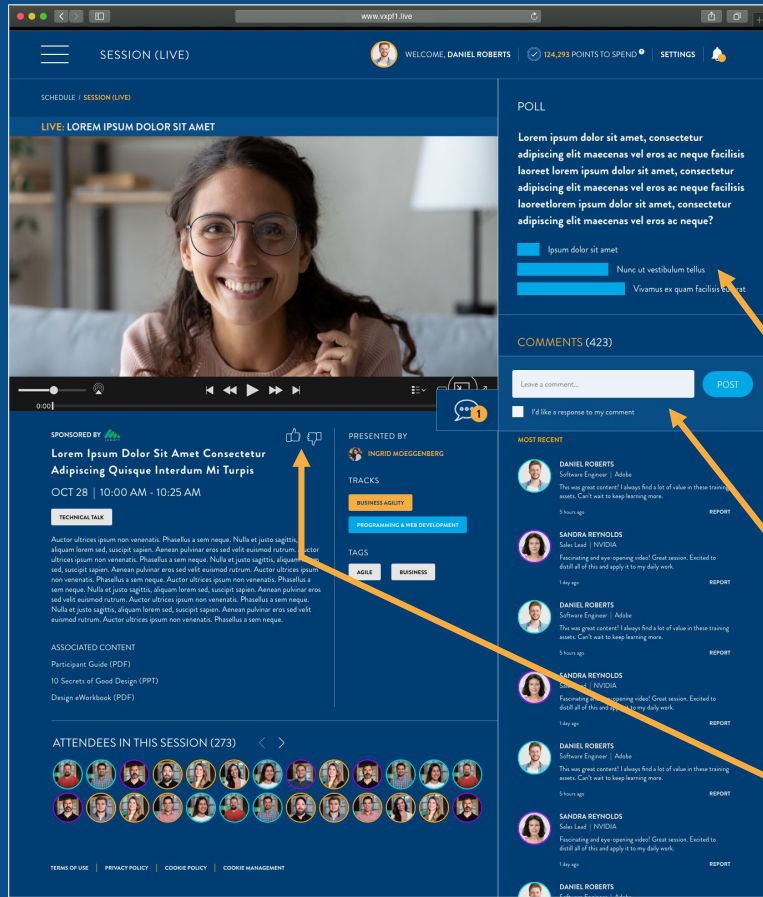
This is a non-GAAP measure of financial performance used by companies to show profitability in continuing business activities



# Join me at the Meet the Speaker Session!



Please refer to the agenda for scheduled times



# Participate in polling, post comments, and rate sessions

1

Polling

2

Comment

3

Thumbs up or down

**Thank you!**