A Discussion on Project Based Costing in an Agile World

Let’s talk about it if we must…

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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

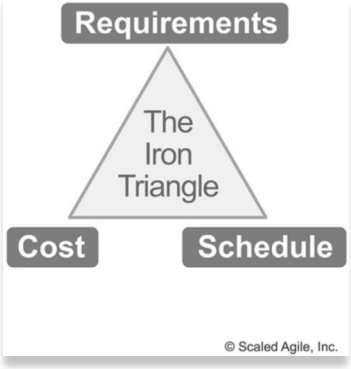
Market turbulence has necessitated a change away from the traditional business approach in order to remain competitive in the marketplace

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?

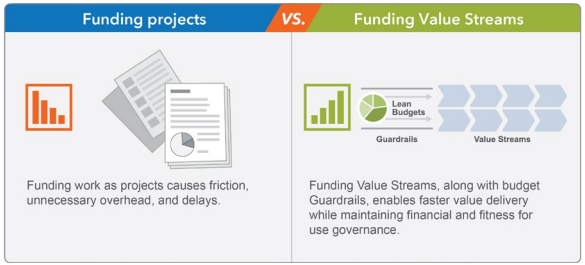
What will be changing for traditional mindsets?



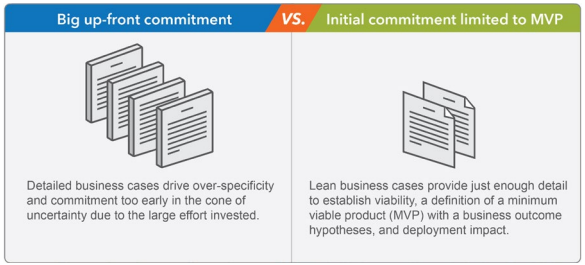
- The old iron triangle components remain but are handled completely differently:
  - Cost and schedule are fixed via 10-week timeboxes
  - Scope is negotiated per timebox based on the capacity of the organization
  - A focus on consumable items of value to customers (products) as opposed to planned 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?

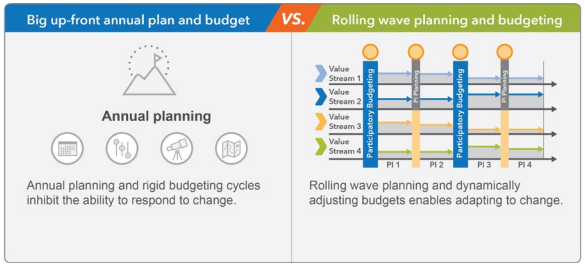
Change what you fund



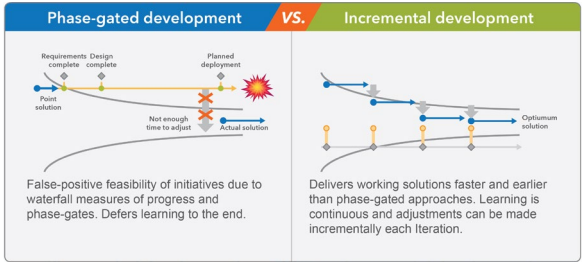
Discuss investments more frequently



Stop pretending we know everything up front



Learn faster

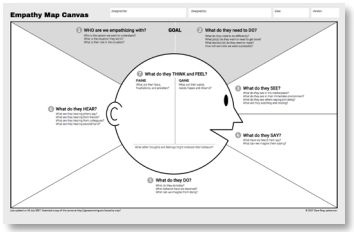


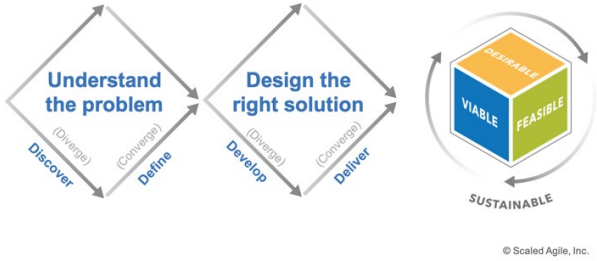
Focus on the customer and increase the visibility of efforts

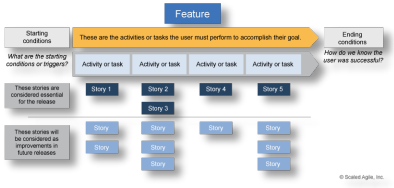
Embrace design thinking

Get inside your customers head with Empathy Maps

Make it personal for stakeholders with Personas

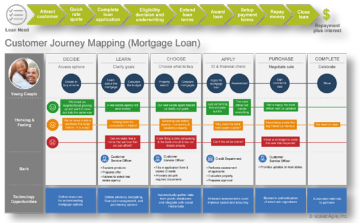






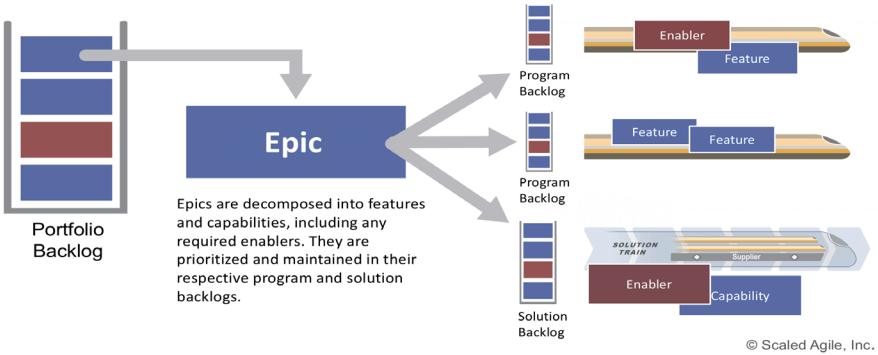
Use story mapping to granulate the work as needed

Shape what the customer experiences with Journey Maps



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



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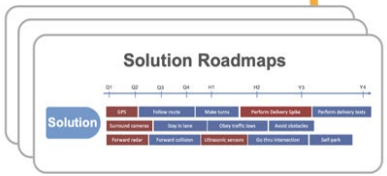

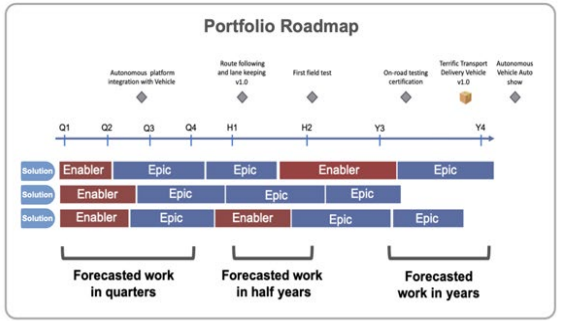

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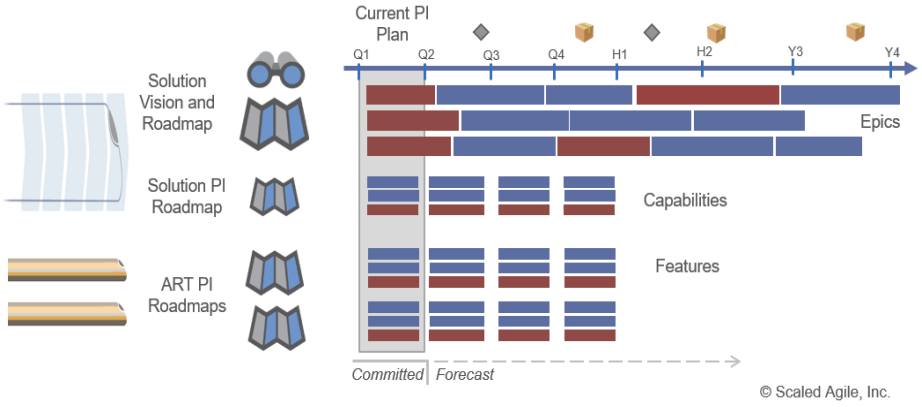
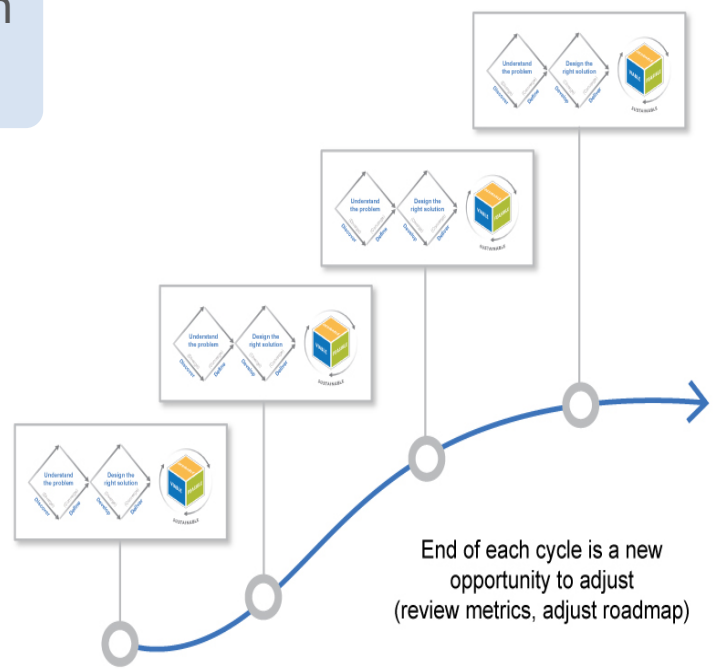
Becoming a learning organization is crucial

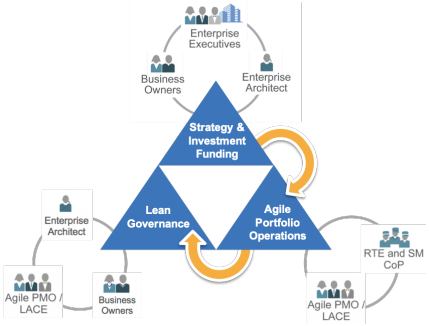
Frequent learning cycles help drive focus on the highest value opportunities



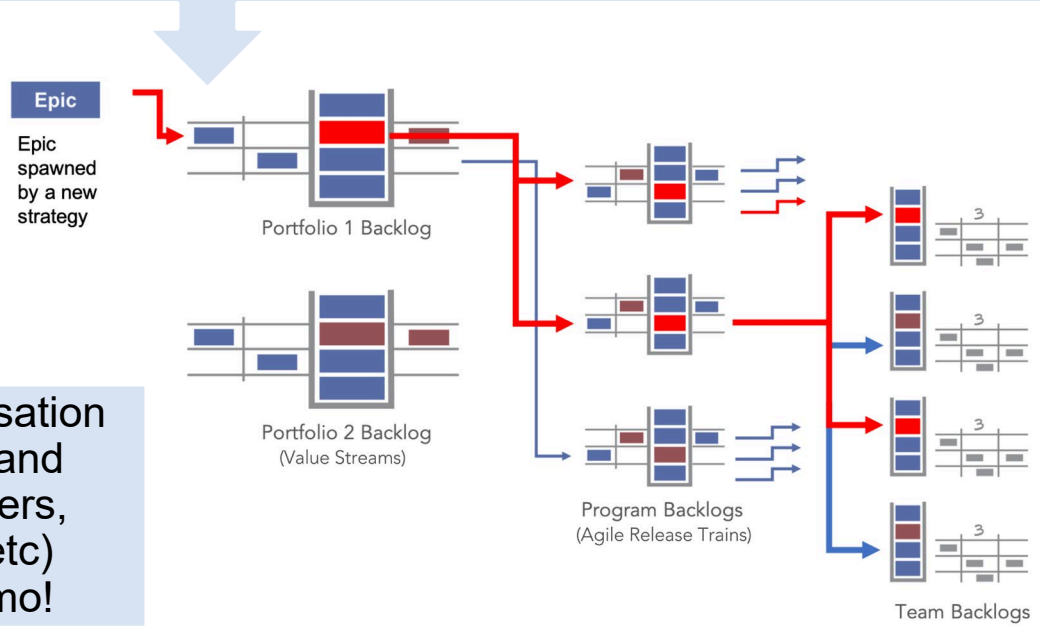


Solidify partnership behaviors throughout organization

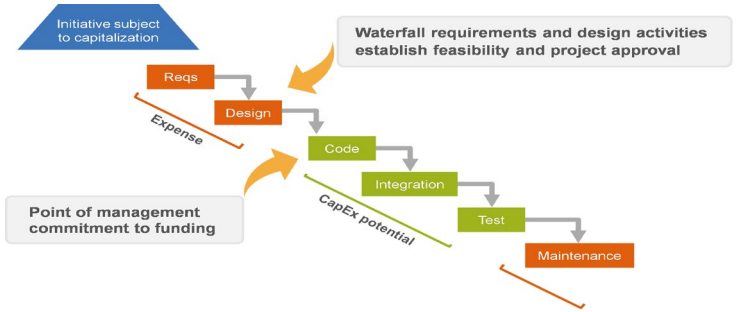
Visibility of the work paired with a collaborative decision-making process leads to shared accountability throughout the organization

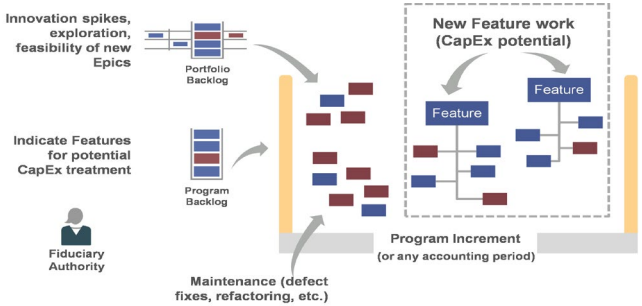


Imagine the power of a conversation between Product Managers and stakeholders (Business Owners, Finance, Accounting, HR…etc) coming out of a System Demo!



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?"*

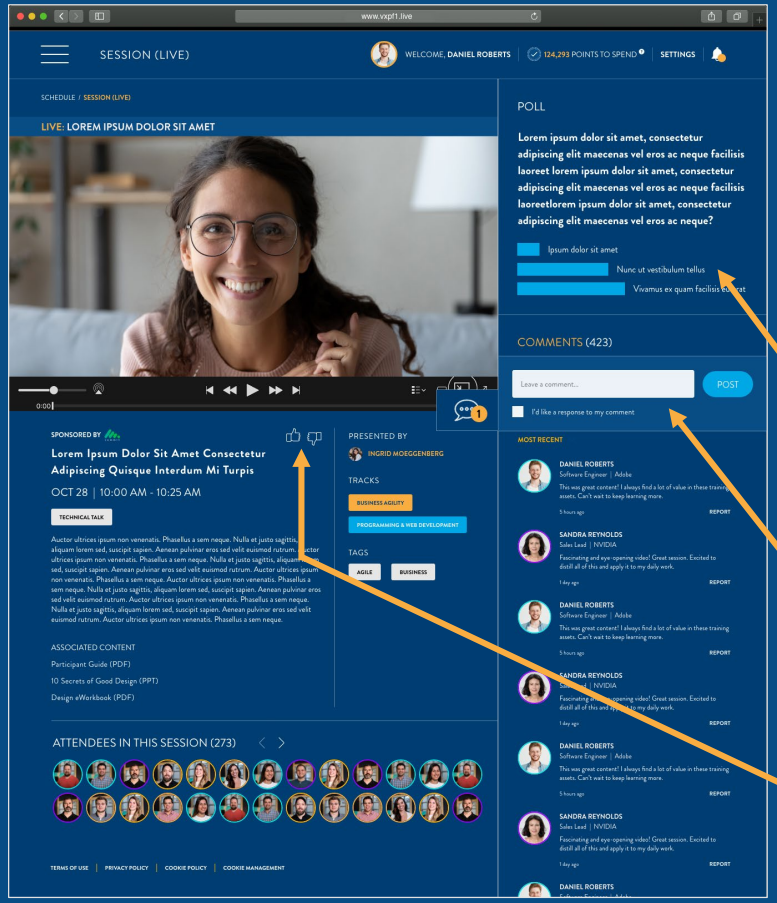
Full disclosure, I tried this with a CFO once and the word 'interesting' just doesn't quite indicate the magnitude of passion elicited during the discussion

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

This 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



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Thank you!