

Evolving #NoProjects -> Continuous

Planning for Value

How much? When?

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Is this project right for Agile?
Or is Waterfall better here?

Is this project right for Kanban?
Or is Scrum better here?



**Who cares about
right?**

**Which will make more
money?**



Agile makes more \$ £ € because it
delivers something sooner



Regular deliveries are good because...

- Gives more opportunities for feedback
- Tighter feedback loops
- Allow for changing requirements
- Improve quality
- Reduce risk

- They increase value
- They make more money £€\$

(O, and reduce risk, improve quality, etc. etc.)



Agile folk get it wrong!

Payment
is
feedback





Today's Lesson #1

A little bit Soon

is

Worth more than a lot
delivered Later





Today's Lesson #2

Know the Time-Value Profile
of the thing you are building



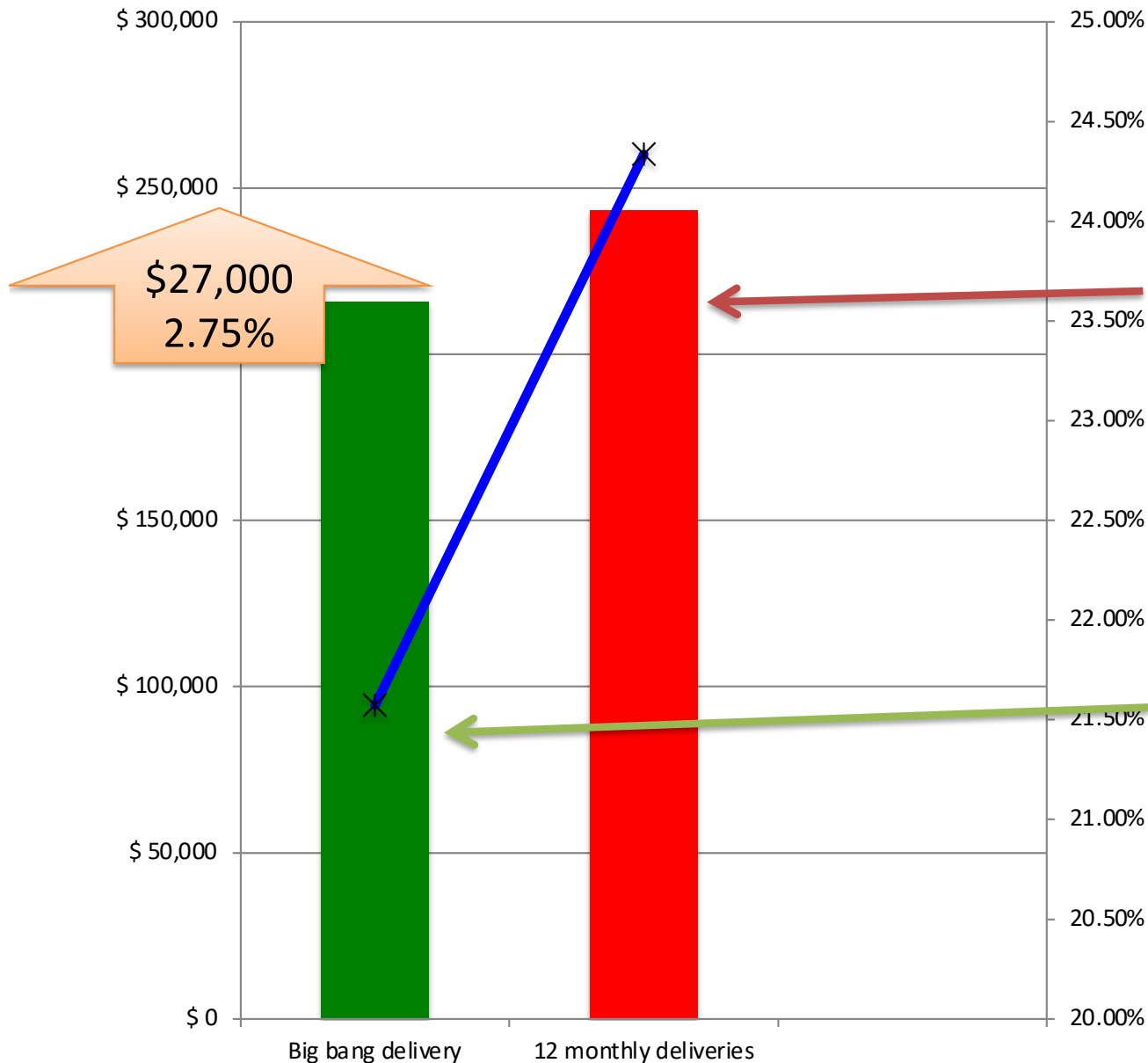


Today's Lesson #3

Deadlines are elastic by
value



\$1 million – 1 year



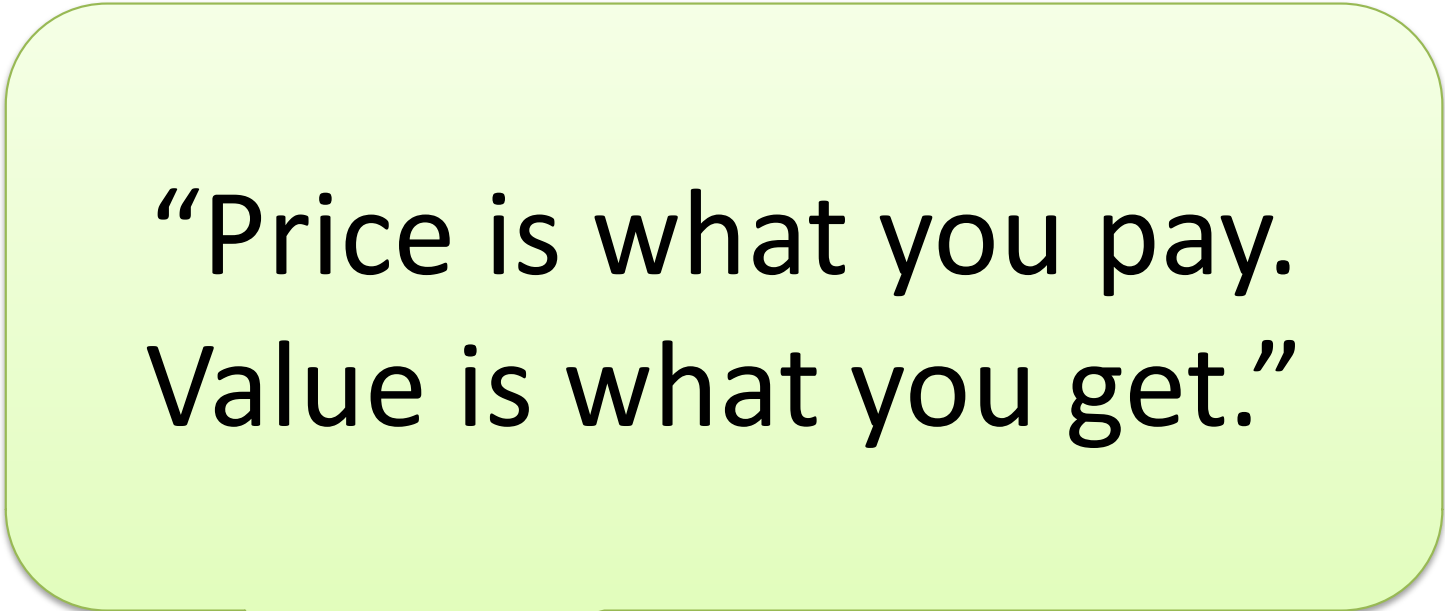
12 monthly small bangs
NPV = \$ 243,359
Value/Cost = 24.34%

Delivered in 1 Big Bang
NPV = \$ 215,725
Value/Cost = 21.57%

Value delivered

————— *over* —————

Cost to build



“Price is what you pay.
Value is what you get.”

Warren Buffet

Which story first?

As a toy retailer I want an app that allows kids to select from my special range so that their parents can buy.

As a toy retailer I want an app that allows kids to make lists of toys they want so their parents can buy.

1

Value = \$355,000

Time to delivery =

4 weeks

2

Value = \$1,060,000

Time to delivery =

6 weeks

Which story first?

As a toy retailer I want an app that allows kids to select from my special **HALLOWEEN** range so that their parents can buy.

As a toy retailer I want an app that allows kids to make lists of toys they want **SANTA TO BRING** so their parents can buy.

1

Value = \$355,000

Time to delivery =

4 weeks

2

Value = \$1,060,000

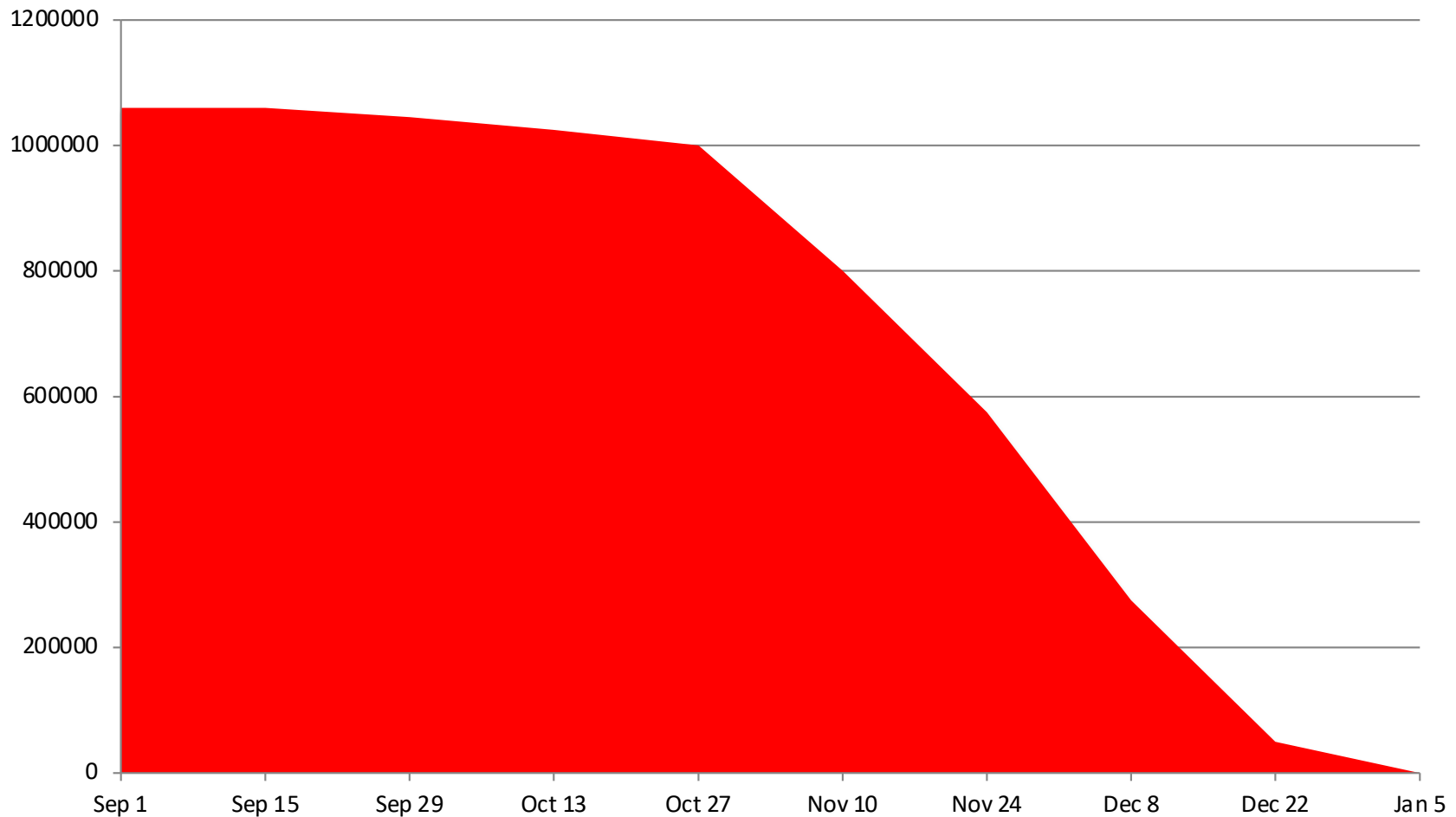
Time to delivery =

6 weeks

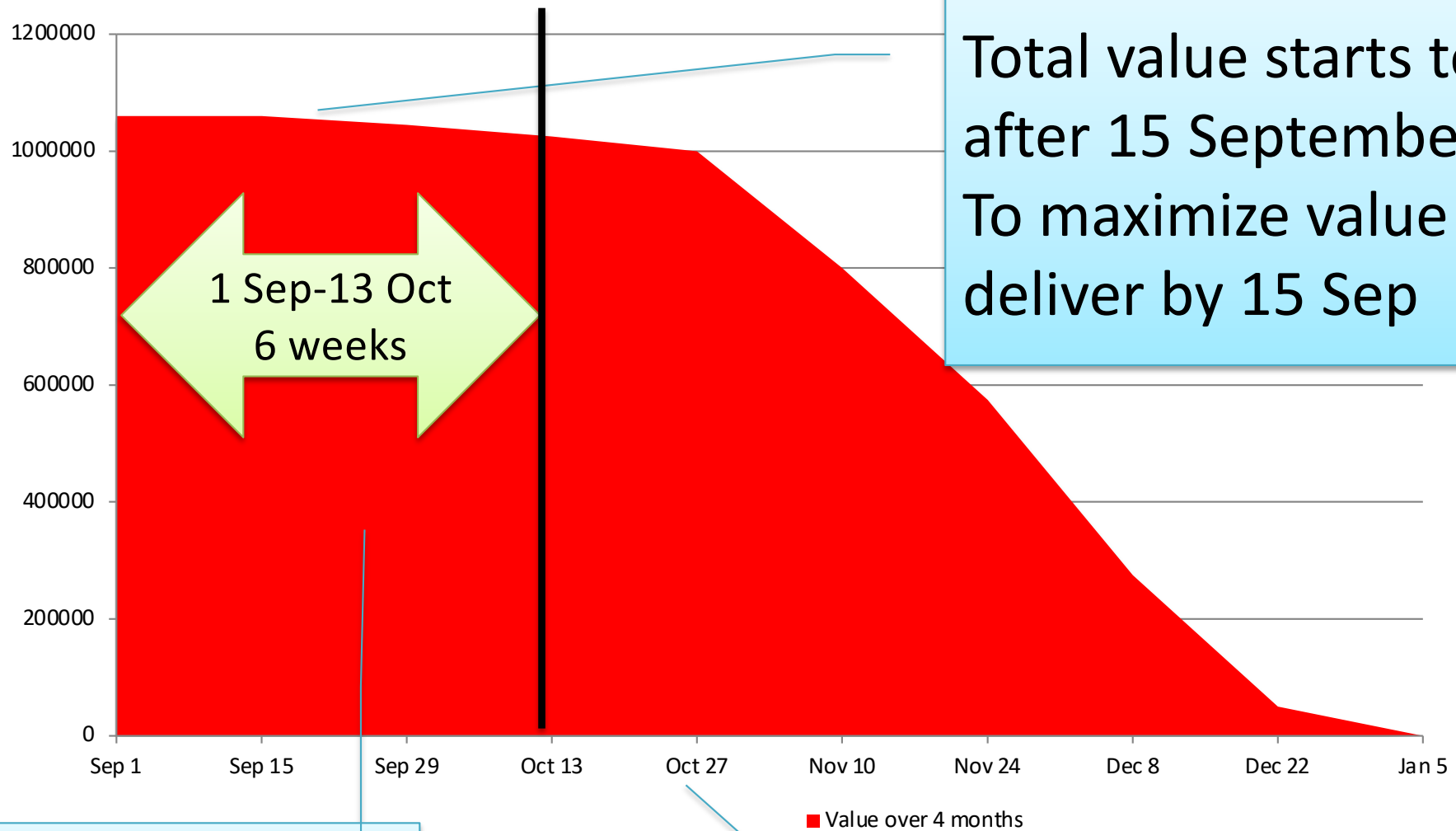
Today is 1 September

Time-Value Profile

How does value change over time?



Santa app total value over 4 months



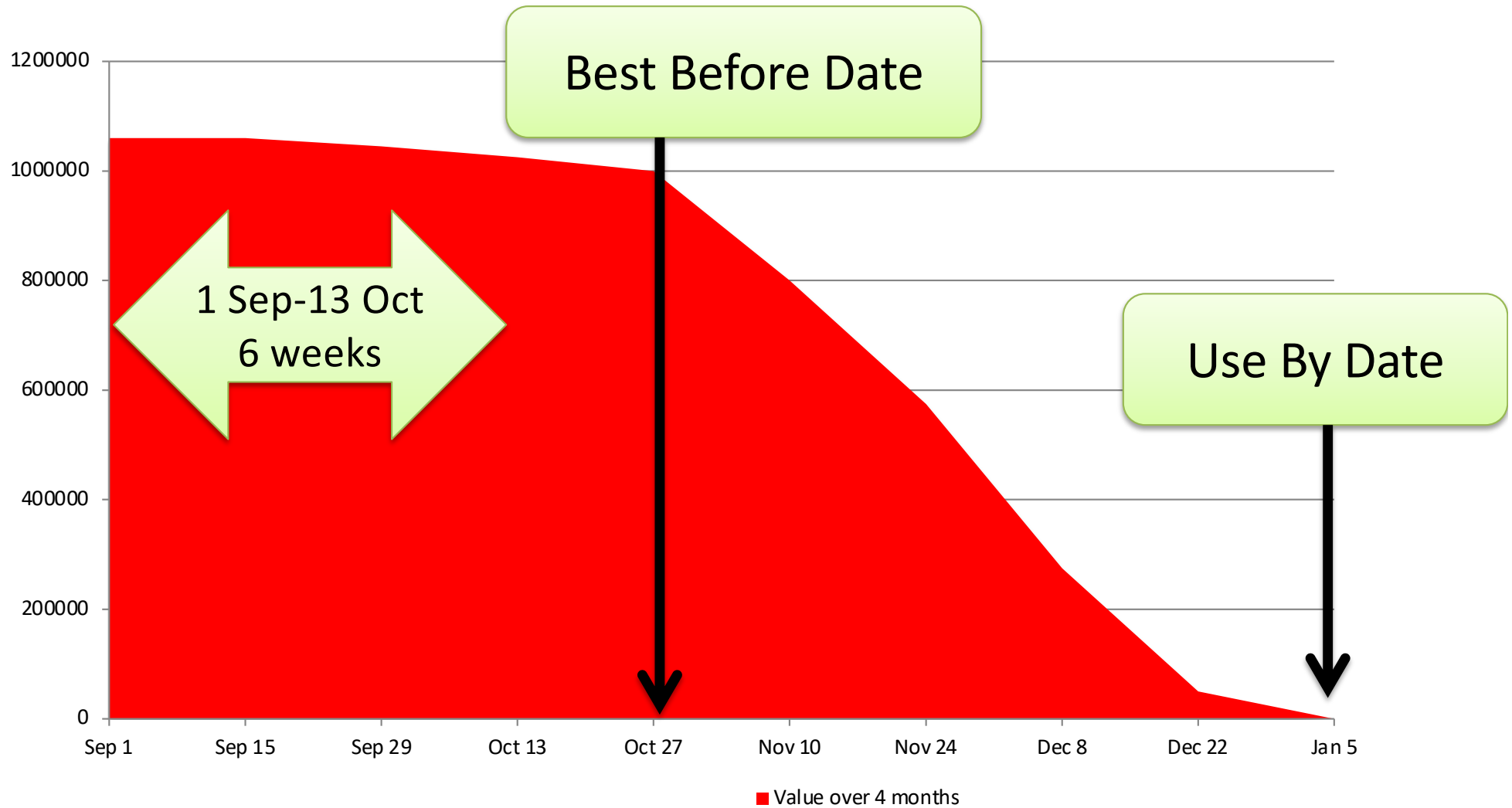
Total value starts to fall after 15 September
To maximize value deliver by 15 Sep

1 Sep-13 Oct
6 weeks

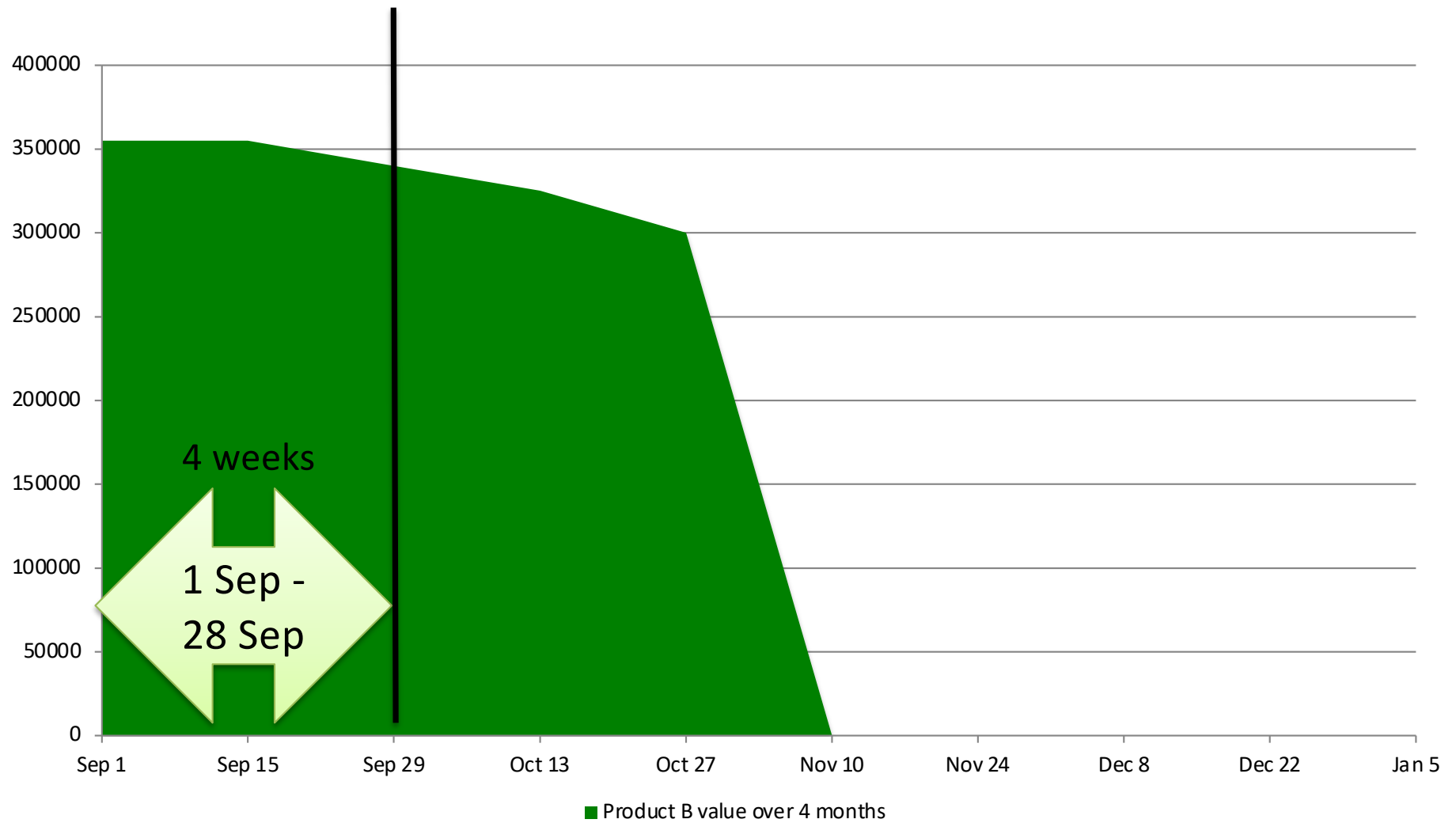
Total value for a given date

Delivery date

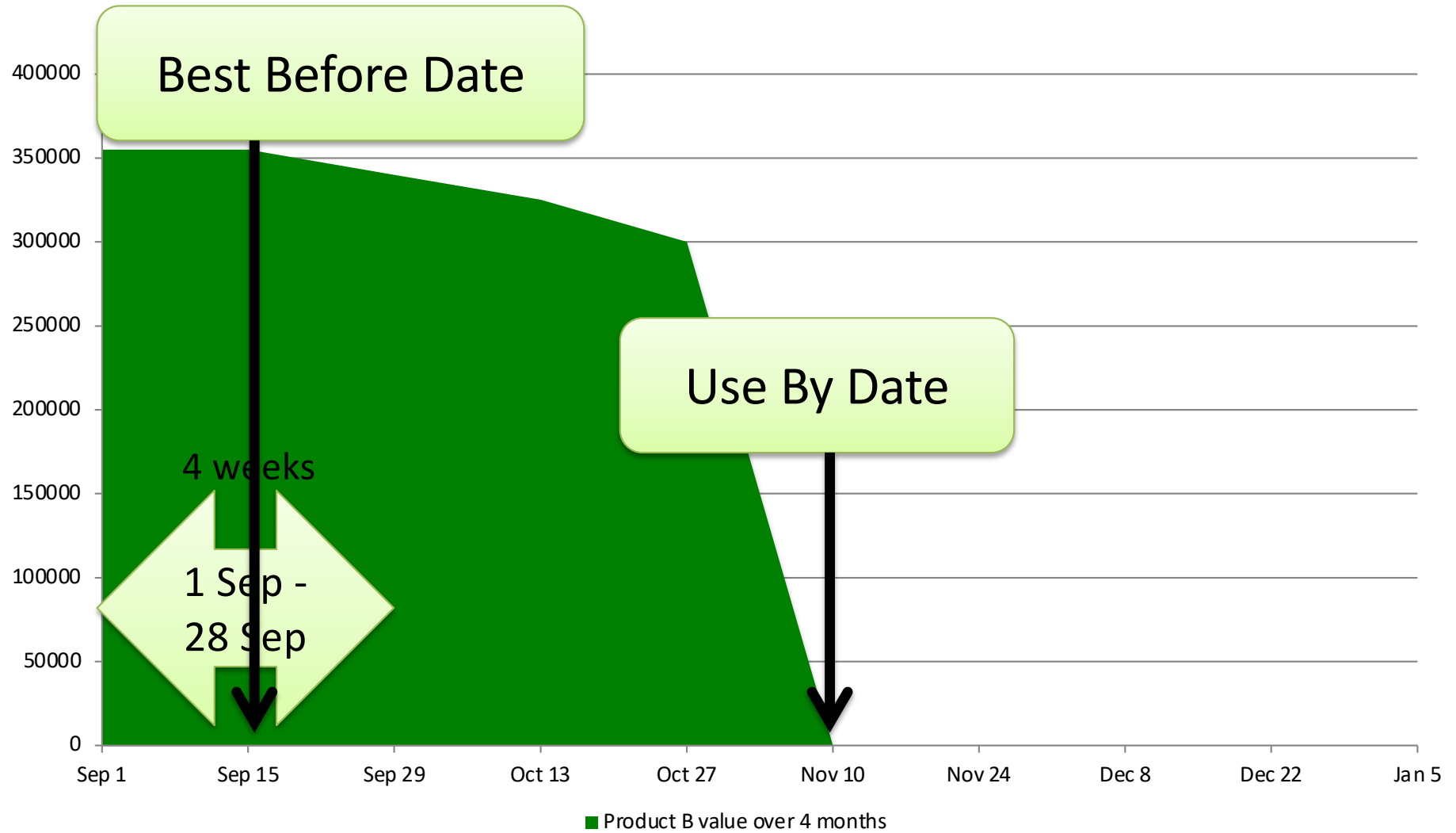
Santa app total value over 4 months



Halloween app value over 4 months

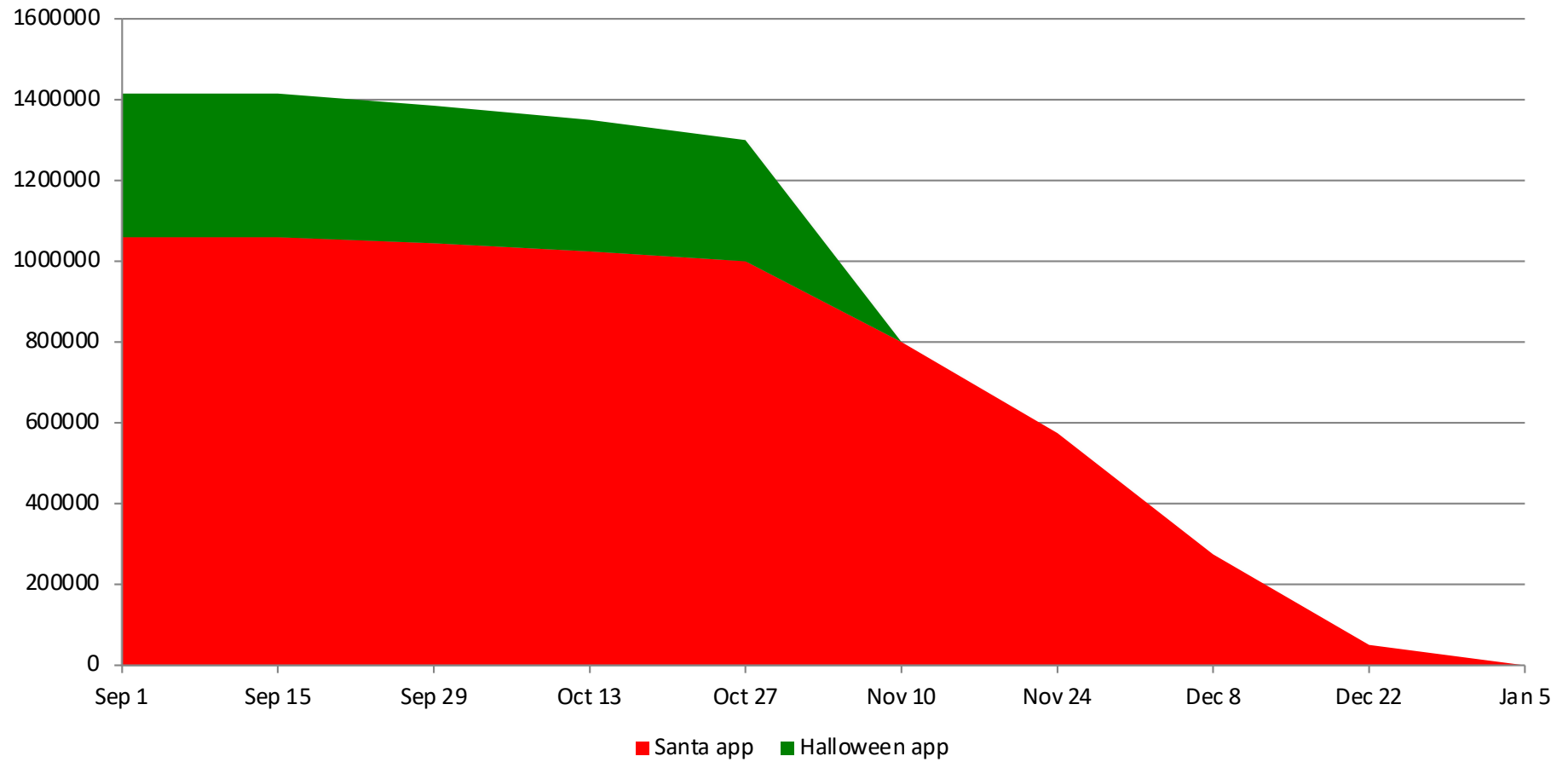


Halloween app value over 4 months



Together

Combined value from two apps



What do you want to do?

- A. Do Halloween & then Santa
- B. Do Santa & then Halloween
- C. Do Halloween & forget Santa
- D. Do Santa & forget Halloween
- E. Change the estimates
- F. Do both and pray
- G. Add more people



Re-use?

- How much of Halloween can be reused?
 - How much of Santa can be taken from Halloween?
- How much extra does reusable code cost?
 - How much time does reusable add to the work?
- How much money is lost by delay?
- How much money is gained from early delivery?

Reusability
increases
RISK



Santa depends
on Halloween

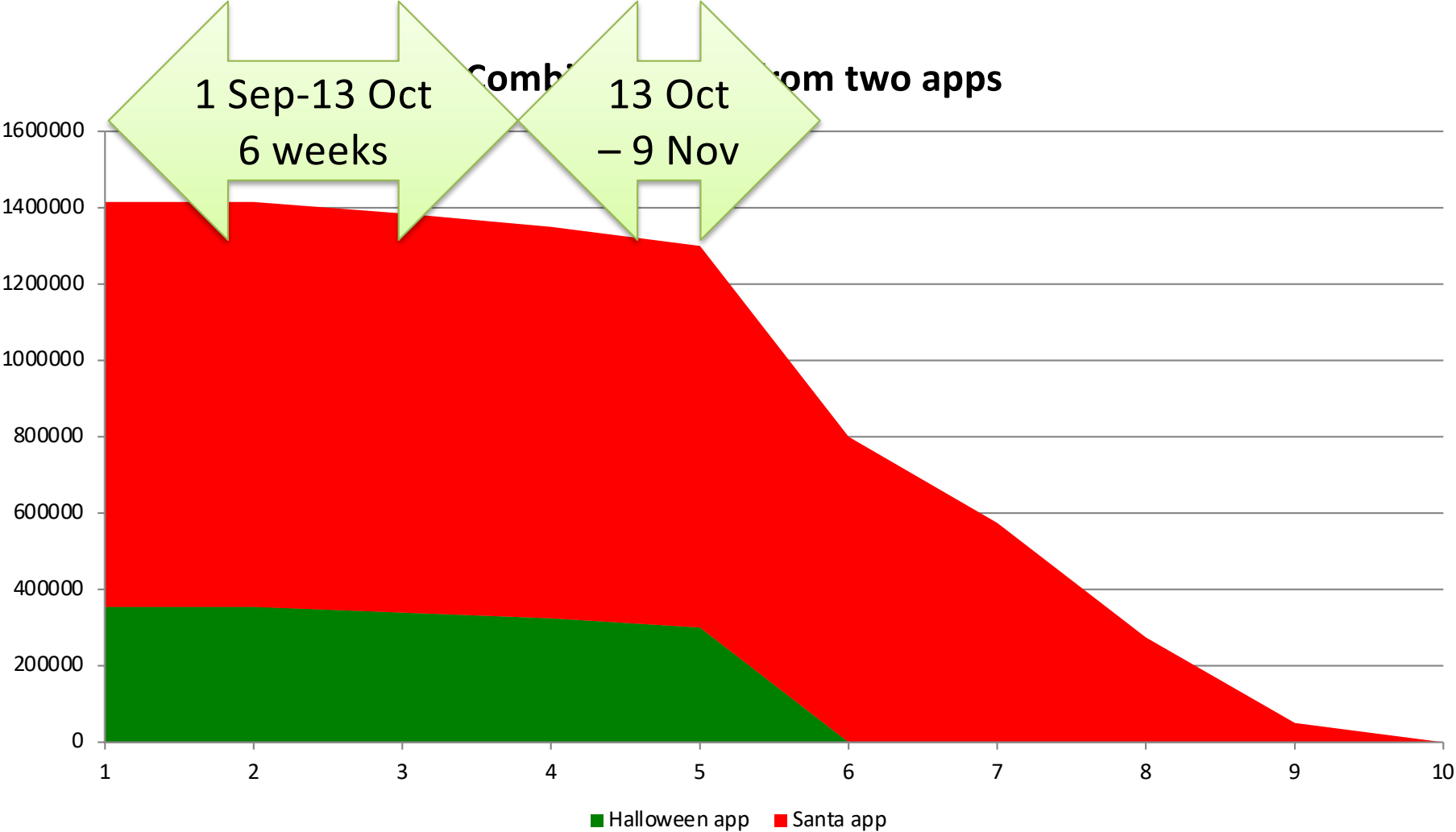


What do you want to do?

- A. Do Halloween & forget Santa
- B. Do Santa & forget Halloween
- C. Do Halloween & then Santa
- D. Do Santa & then Halloween
- E. Change the estimates
- F. Do both and pray
- G. Add more people
- ~~H. Reuse~~



Santa first, Halloween second



Santa first

App makes \$1,025,000

\$35,000 lost because it was not ready by
13 October

Halloween app makes \$0

Total = \$1,025,000



Halloween first

Halloween makes \$340,000

\$15,000 lost because not ready
before 29 September

Santa makes \$800,000

\$225,000 lost because it is not ready
until 10 November



Halloween comes first

Santa first

Total = \$1,025,000

Halloween first

Total = \$1,140,000

\$115,000 more



Opportunity Cost of Delay



- Extra costs incurred because delivery is late
 - e.g. temporary staff, priority shipping, penalty fines
- Value foregone:
 - Lost revenue opportunities
 - Not being in the market (less time on sale)
 - Not being available before critical date
 - Not being in the market before competitors



Time is money?

More time -> More costs

More time -> Less revenue

(Usually) Revenue is inversely proportional to
time to delivery

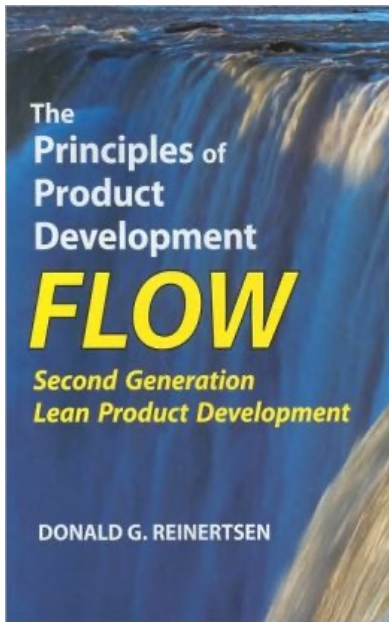




Opportunity Cost of Delay

“6 month delay can be worth 33% of life cycle profits”

McKinsey (Reinertsen) 1983



Principles of Product Development
Reinertsen, 2009



Deadlines are analogue

Different dates result in different values

*Deadlines are not binary
(all or nothing)*

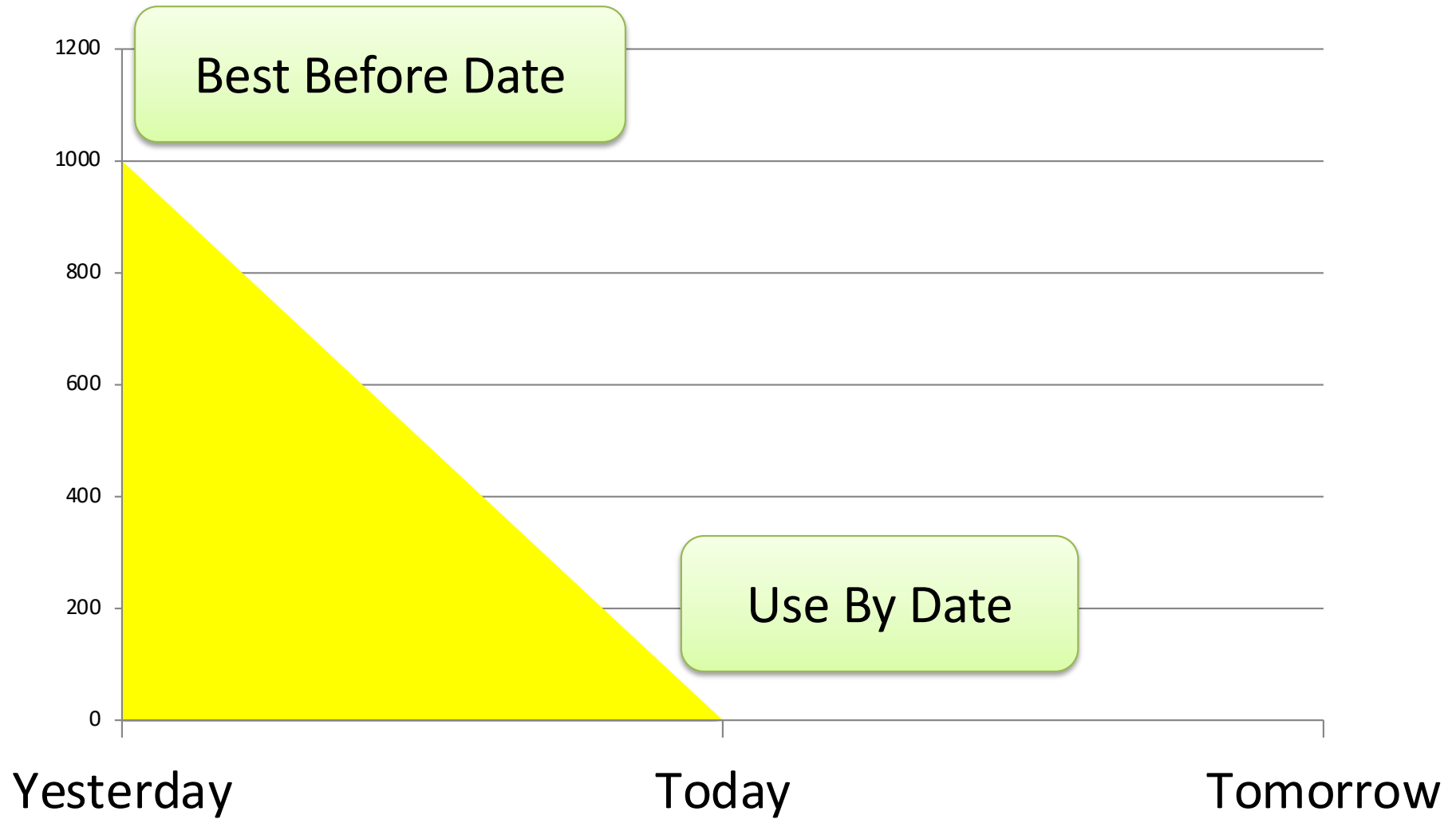




I need this and I need it
YESTERDAY



Yesterday...





I need this and I need it
YESTERDAY

If all the value accrued
yesterday then it is lost

O dear, I don't have a
TARDIS (time machine) but
maybe I can get something for you
tomorrow?

Brilliant, I knew I could count
on you



If value still exists then it
might be worth doing

How do you get to value?

- Ask your stakeholders
- Do the analysis
- Estimate

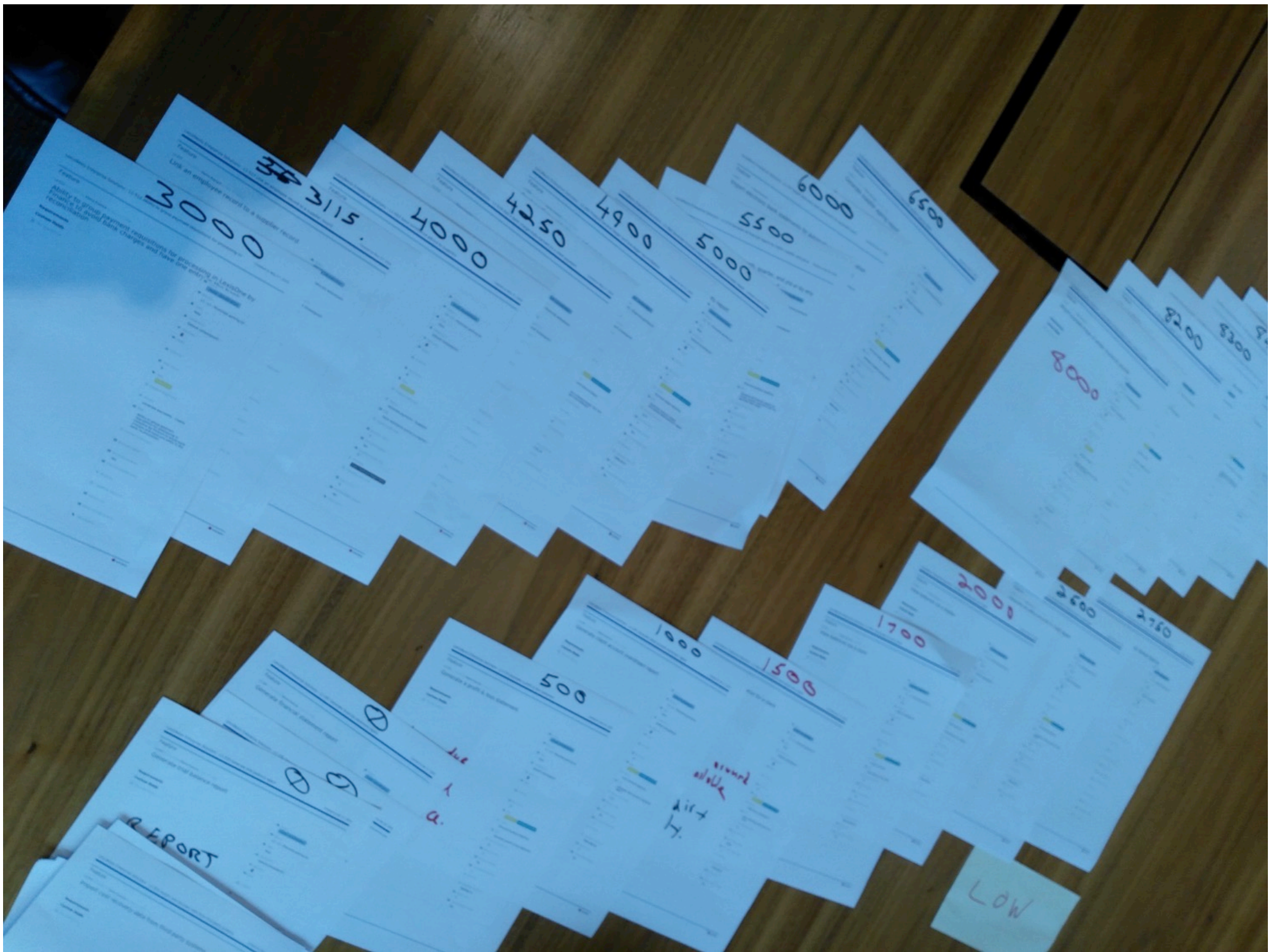


Value Poker

Like Planning Poker

- Value points not Effort points





Do now

Do soon

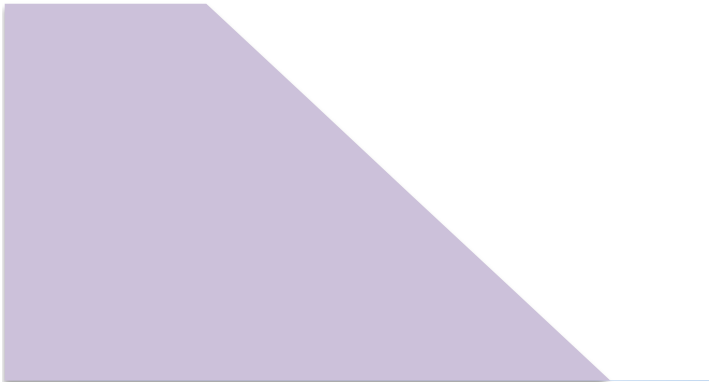
Do later



10,000

Best before
+3mths

8,000

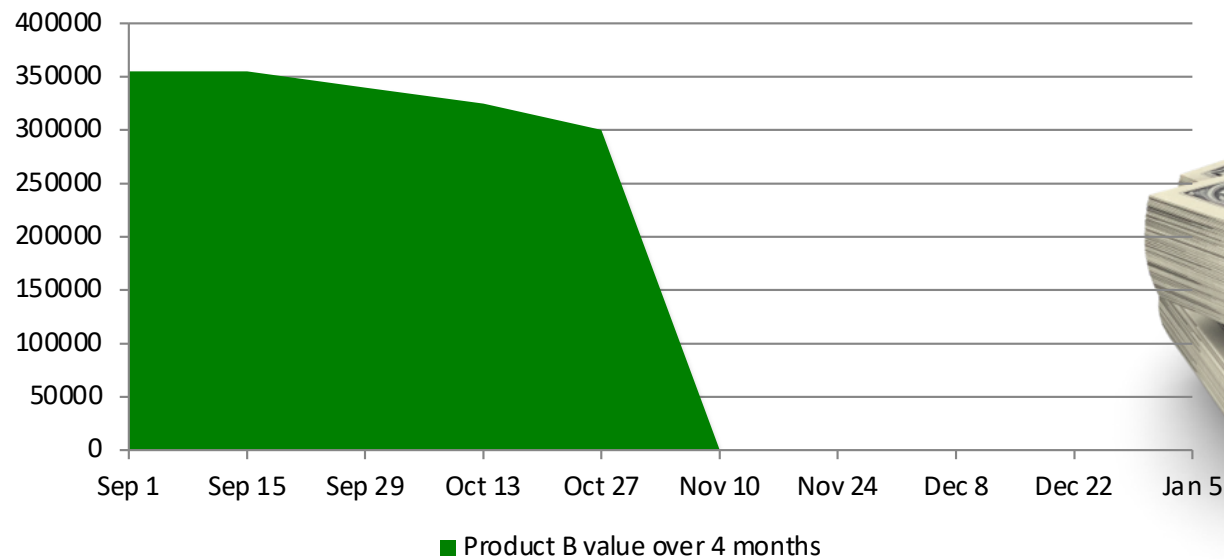


5,000

Best before
+1mth



Time-Value Profile is an input to planning



Solutions must be built to:

- a) Obtain as much of the value as possible
- b) Within some time frame
- c) For a cost which leaves some profit

How much profit is made
and
How much value is extracted
are negotiable.



Know the **Time-Value profile**

Know your target profit

Know how much you can spend

Work back to date & burn rate

Engineer, engineer



Continuous Digital

An agile alternative to projects
for digital business



- ❖ Software development
for the digital business
- ❖ Team based development
without projects
- ❖ Guided by value

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<https://leanpub.com/cdigital>

1. A little soon is worth more than a lot later
2. Know the time-value profile
3. Deadlines are elastic by value

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**Allan Kelly
Associates**

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