About Pat Reed

• Value Innovation, Transformation & Agile Executive Consulting
• 25 years of Agile Delivery
• Transformational Teacher, Leader, Coach, Executive & Entrepreneur
• Leads PMI’s Agile COP
• Agile Alliance Board Member
About Walt Wyckoff

• Agile Software Development Delivery
• 14 years Agile Delivery Experience
• Certified in: Test Management, Audit, Security, Scrum and Project Management
• Agile Educator and Coach
• MBA / Computer Information Systems
• Business Sectors Worked In: Education, Online Auction, Telecom, Search, Financial, Payroll, Entertainment and Government
Today’s Objectives

• New ways of thinking
• Breaking paradigms
• Ideas for a Value Field Guide to:
  • Align your organization around a shared focus on value
  • Understand the importance of value innovation focused portfolio management
  • Build a foundation to create a culture, environment and ecosystem for value innovation
• Have fun!
Value Innovation driven portfolio management is the application of systematic practices to optimize strategic investments and activities of the enterprise.
Value Innovation = Increasing Measureable Value AND Reducing Cost of Delivering Value
Value Innovation driven Portfolio Management is becoming exponentially more important...
Amplified by the Internet of Everything Economy

- Radically impact everything
- Agility of Everything
- Value Innovation is key
- Success relies on value innovation mindset, principles, practices, tools & behaviors
Value is in the mind and experience of each customer
Success depends on innovating to deliver optimized value and delight our customers...
Success = Rapid Differentiation

- Understand
- Innovate
- Solve
- Delight
- Learn
Funding Ideas Customers Want

- #1 predictor of perceived customer value is how creative, innovative and novel it is
- Focus on feasibility can make it harder to recognize value of creative ideas
- New and novel ideas involve more unknowns
- How can we ensure we’re not filtering out the best ideas?
where do we start?
1. Creating a Value Mindset
Portfolio Management is Complex

Stacy Landscape Diagram

- Unknown Technology
- Known Technology
- Stable requirements
- Unstable requirements
- Complex
- Complicated
- Chaotic
Compounding Cones of Uncertainty

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Focus on Value and Quality: Agile Triangle

Value
(Releasable Features of Highest Value)

Quality
(Reliable, Adaptable Features)

Constraints
(cost, schedule, scope)

Source: Jim Highsmith
Reducing uncertainty by “nailing things down.”
Looking to fix and confirm things.

Reducing uncertainty by discovering and learning... in the most efficient way possible.

Exact outcome is not knowable in advance
Outcome based on intangible knowledge
Empirical Process to realize outcome

Change Our Mindset

Fixed Mindset

Agile Mindset

MINDSET SHIFT TO
ACCEPT UNCERTAINTY
EMBRACE CHANGE
**Paradigms to Break.....**

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2. Think Like a Scientist
Think Like a Scientist

• Everything is an Experiment
• Features and Estimates are Hypotheses
• Embrace Uncertainty - Take Calculated Risks
• Welcome Challenges
• Learn Continuously through empirical data analysis
• Focus on Creating Value and Quality (and eliminating Waste)
• Look at the Whole System to optimize end-to-end Value Delivery
• Create time for Innovation
• Become Comfortable Being Uncomfortable
from \textit{HOW} to \textit{Why}
Estimation is Complex: Cynefin

- Probe – Design and execute tests
- Sense – observe how the system responds
- Respond – act based on new understanding
- Keep it Simple
3. Understand and amplify company vision and strategy... to make value visible
To enable a clear line of sight to every employee
Align On An Enterprise Value Model

Strategic Objective
i.e. Profitability

Biz Capability i.e. Growth
Value Component weighting factor 1
New Markets

Biz Capability i.e. New Product
Value Component weighting factor 2
Market Share

Biz Capability i.e. Talent Development
Value weighting factor 4
Increase Capability & Capacity

Value Component weighting factor 6
Increase Revenue

Value Score
Releasable Feature
Stories / Epics including Value Index, Time, Cost, Risk and Value Tests (Benefits Realization Plan)

1+6+4
4. Understand and Measure Customer Value
Heed and Understand the Ever Changing Voice of your Customer

And Fund Experiments with Clearly Defined Tests and Scheduled Measurements of Benefits Realization and Customer Delight
Value Curves & Optimized Delivery Management

Value vs. Cost vs. Time / Releases

Actual Value Delivery vs. Traditional Delivery
Remember The Cost of Value

Value as perceived by the customer

= Feature Value + Service Quality

Cost to Deliver Value       Cost of Doing Business
5. Reframe all work in terms of performance criteria that matter to the customer
Disruptive Value Innovation Comes From Focus
Differentiating Value Levers

Increase Value Throughput

Decrease Operating Expense

Decrease Cost of Value
6. Understand and create space for Innovation
3 Types of Innovation Opportunity

- Biz Model
- Process
- Product
**More Paradigms to Break.....**

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<td>Un Predictability</td>
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<td>Seeking stability</td>
<td>Seek Novelty</td>
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<td>Core Competence</td>
<td>Edge Competence</td>
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<td>High Success Rate</td>
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<td>Org Hierarchy</td>
<td>Org Networks</td>
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<td>Fear Hierarchy</td>
<td>Focus on Creative Tension</td>
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<td>Avoid Surprises</td>
<td>Embrace Surprises</td>
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<td>Inside Knowledge</td>
<td>Inside and Outside Knowledge</td>
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<td>Corp Politics</td>
<td>Moving the Cheese</td>
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<td>Standardization</td>
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<td>Avoid Change</td>
<td>Embrace Change</td>
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<td>Measure Stability</td>
<td>Measure Innovation</td>
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<td>Confirm Mental Models</td>
<td>Contradict Mental Models</td>
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<td>Look for Certainty</td>
<td>Embrace Ambiguity</td>
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Innovation Catalysts: 6 Questions

1. What could we change in a new way?

What could we create that is truly new?

What could we move into a new context?

What could we use in a new way?

What could we connect in a new way?

Source: Genome Project
Innovation Games to Explore

- Me and My Shadow to identify hidden needs
- Product Box to discover the most exciting product features
- Buy a Feature to determine highest value features
- Prune the Product Tree to make your product meet highest value market needs
- Speed Boat to understand what is wrong with your existing products and services
- Spider Web to understand relationships between products and service
- Empathy Map to understand what your customers need
- 20/20 Vision to understand relative importance of each feature as well as product benefits
- Find more on www.tastycupcakes.com
VIP leverages Agile Values, Principles and Practices
Value Innovation Driven Portfolio Management

1. Optimizes ROI and customer value by creating a roadmap aligned with strategy and prioritized by value (benefits/cost)
2. Establishes a lightweight stewardship process with clear entrance criteria and well defined value decision points to optimize flow of value
3. Enables innovation through a cadence of rolling-wave planning (informed by actual value outcomes)
4. Promotes a culture of value
Secret Sauce

- Understand & See Portfolio Management and Estimation as complex experiments (relative vs. absolute)
- Make Vision, Strategy and Value Visible
- Focus on Outcome (creating value) vs. Output (doing tasks)
- Pull vs. push to optimize throughput of value delivery teams (based on team capacity: Kanban)
- Understand the benefit is in double loop learning (i.e. the true, measurable value delivered vs. planned)
- Lightweight epic / feature level business cases and decentralized rolling wave planning and budgeting
- Learn as quickly as possible through fact based measures and milestones
- Optimize the whole portfolio
Develop a Value Hypothesis and Tests

Validate with key stakeholders & customers

Design Minimum Viable Product to test the Value Hypothesis

Deliver and test benefits and customer delight

Learn: Pivot or Proceed with next iteration

Value Innovation Cycle
End Goal

Create a value innovation culture that optimizes a continuous, sustainable, rapid flow of value by:

Everyone understanding how to delight customers, optimize value chain... and stop doing work that doesn’t deliver measureable value
Our Future is Created by What We Do Today – and Tomorrow
Exploration Activity: Choose a Group ....

1. Breaking Paradigms to Create a Value (aka Agile) Mindset
2. Design an Enterprise Value Model and Value Estimating Technique
3. Practice A Value Innovation Catalyst Technique
Idea Sharing - Actionable Learnings
Value Innovation EcoSystem

- Empowering, Aligned Culture of Value
- Agile Enterprise: The Agility of Everything
- Deep Connections with Customers
- Optimally Engaged & Adaptive Workforce
- Building Capacity through Continuous Learning
- Transforming Uncertainty into Networked Knowledge
Creating a Culture of Value

1. Start with an Agile (self optimizing) mindset
2. Create a “safe” and high trust (fearless) culture conductive to risk taking and accelerated learning through experimentation
3. Ensure every employee feels engaged in meaningful work and empowered with clear line of sight to how they create value (and accountable to optimize ROI) with a common currency and language of value
4. Create an Value Focused Agile Enterprise: transparency, empirical data driven, big visible charts, rapid decision making, cognitive diversity, collaboration, effective polarity management...understanding that we all win together and learn continuously through open (3 way) channels of communication
5. Create Competencies to Understand the needs of the Customer (with high tech anthropologists & Gemba Walks) and enable Business Intelligence (with predictive analytics, dashboards, value curves, value currency, benefits realization measurements, metrics that matter and easy access to knowledge
6. Create a learning environment where everyone is continuously eliminating waste from the value stream and optimizing their capabilities to deliver innovative value
Thank you
Further Questions?

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Activity Appendix
Activity 1: Breaking Paradigms . . .
## Prioritize & Choose a Paradigm

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Working in Small Groups. . .

1. Identify impediments or organizational factors that will make it difficult to adopt a Value (Agile) Mindset and Value Innovation Driven Portfolio Management (10 minutes)

2. Identify enablers that will counter the blockers and accelerate shift and adoption (10 minutes)

3. Craft and review action plans to share with the larger group (10 minutes)
Paradigm Shift:

Enablers (Fuels)

Inhibitors (Rope)
Activity 2: Enterprise Value Model
1. Select [an Enterprise, Program, Project, Production Support, Initiative], and clarify your Strategic Vision and Top 3 Strategic Priorities (5 minutes)

2. Draw a Value Model and add weights to value components by strategic importance) (5 minutes)

3. Identify 2 or 3 possible features/epics and draw a line to each value component; calculate a value score (by adding weights + impact from each component it will impact). (5 minutes)

4. Discuss Costs and Risks and assign a cost+risk score. Divide Value Score by Cost+Risk Score to calculate Value Index (5 mins)

5. Review Implementation Ideas to share with group – idea gallery (10 minutes)
Sample Value Model

Value & Values

Profitability

Revenue

- Increase Sales
- Improve Customer Experience

Market Share

- New Markets
- Increase Market Share
- Growth – New Markets

Innovation & Competitive Edge

- Discovery: New Customers; Unrecognized Needs
- New Products

Operational Efficiencies

- Optimized Delivery Engine
- Optimized Value Stream / Org Efficiencies / Simplest Possible Solution

Measure Profits (ROI)
Design an Enterprise Value Model

Strategic Objective
i.e. Profitability

Biz Capability i.e.
Growth

Value Component
weighting factor 1
New Markets

Biz Capability i.e.
New Product

Value Component
weighting factor 2
Market Share

Biz Capability i.e.
 Talent Development

Value Component
weighting factor 6
Increase Revenue

Value weighting factor 4
Increase Capability & Capacity

Value Score
Releasable Feature
Stories / Epics

1+6+4
Estimate Value Based on Value Model Weights

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<tr>
<th>Features</th>
<th>New Market 1</th>
<th>Market Share 2</th>
<th>Increase Revenue 6</th>
<th>Increase Capability 4</th>
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<th>Total Value Score</th>
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Total Value Score / Cost (and any Risk factors) = Value Index
Explore Additional Value Estimates or Scoring Techniques
Value Estimation is a Complex Problem: Cynefin

- Probe – Design and execute tests
- Sense – observe how the system responds
- Respond – act based on new understanding
- The Simpler the Better
Value Planning Poker

Agile Planning Poker

0 1 3 8 20 100
0 1/2 2 5 13 40

2 Points
5 Points
5 Points
13 Points

“Here is why I think this is 2 points…”

“Here is why I think this is 13 points…”
Team Estimation Game
Simplify: High Level Sizing base on Relative Complexity

Vs. hours or days
Activity 3: Innovation Catalyst
Value Innovation Catalysts

1. Select something you’re working on that could benefit from some innovative thinking and write it as an “innovation target” in the middle of a flipchart piece of paper (5 minutes).

2. Ask each of the six Innovation Questions about your innovation target:
   1. What could we look at in a new way?
   2. What could we use in a new way?
   3. What could we move into a new context?
   4. What could we connect in a new way?
   5. What could we create that is truly new?
   6. What could we change?

3. Brainstorm answers to each of the questions. Analyze, prioritize, and create actions for the most promising ideas. (10 minutes)

4. Analyze, prioritize and create actions for the most promising ideas (based on customer value potential and cost effectiveness) (10 mins)

5. Summarize your learnings to share with the larger group (5 mins)

Source: Genome Project
More Innovation Games to Explore

- Me and My Shadow to identify hidden needs
- Product Box to discover the most exciting product features
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