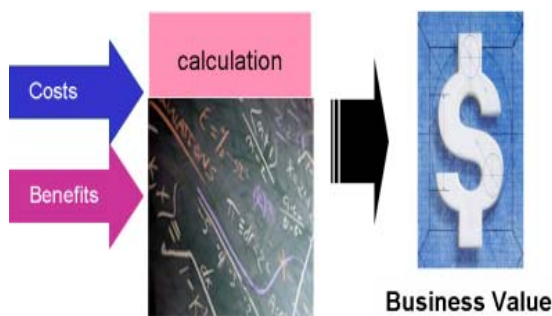


In Pursuit of the Moving Target: Business Value

by Pollyanna Pixton and Niel Nickolaisen

“What’s the business value?”

That statement opens a can of worms – and a huge debate of what methods to use, can you get anything that means anything, things change. Is it a tempest in a teapot or a red herring?

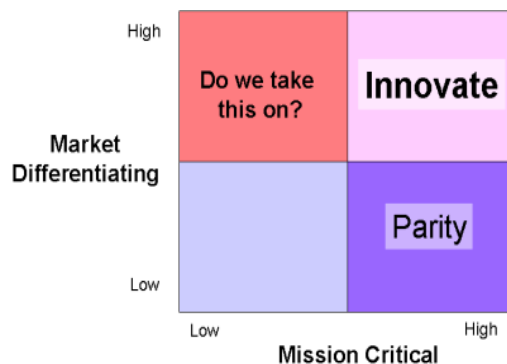


Most traditional business value analysis puts the costs and the benefits through some type of calculation to get a value. The calculation is not the problem, it’s the inputs. Cost is an estimate and benefits are a guess. Is there a way we can do better in determining the business value

so we can decide what we should do and when we should do it? And in today’s markets, we need something that will embrace change.

First, let’s look at why we are thinking about value:

- What is driving the quest to define value? What is the pain point?
- You need us to define value right now? Can you wait until Monday?
- How have you been measuring value? In what ways are those measures not working?



With that understanding in mind, the next question is: Why are we doing this product, service or project? What is the purpose? To differentiate yourself in the marketplace? To reach parity with your competition? Or, to hold up your part in a partnership agreement?

Adding this into our business value analysis will give us some help.



What about all those other ‘interesting’ items (concerns and worries), such as time to market? Is there a cost to delay? What about the risks? The list of considerations could include, among others:

- Market uncertainty
- Technical uncertainty
- Company capacity and domain knowledge
- External dependencies



How do you quantify these? Take a look at what the analysis looks like now. It is not a ‘calculation’ where you get a number – it’s a model. The purpose influences the considerations by providing a weighting factor or priority for considering the considerations. Purpose decides how much effort or focus should go into each

feature or in which order products should be delivered.

It’s a Conversation!

Now we run into difficulties. Stakeholders, depending on their interests, experience, and view of the marketplace, could build different models. Well, we knew this was coming. We don’t need an exact number; we need an agreement on the value to all the stakeholders. (Don’t get confused here, we are not talking about consensus, we are talking about agreement.) If marketing sees a new product feature as high value and engineering sees it as low value, you have a problem. Collaborate by taking a look at the models together and engage in a conversation until all the stakeholders reach an understanding as to the value.

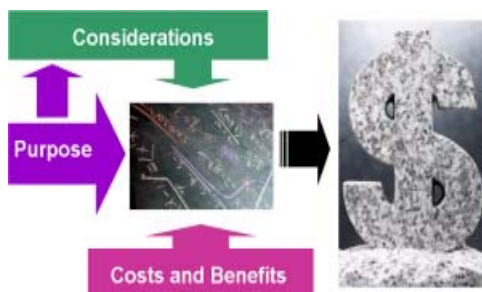
More Help At Hand

Before you begin, consider the following questions:

- What do we need to learn before we need to make or next go/no-go decision? Consider including activities specifically designed to learn what you need to know to improve your decision making.
- What can we do to improve our value model inputs? After considering the investment costs, add activities that can help you improve how you look at the value model inputs.

Don't Stop Now! There's Good News!

You now have information to decide what you should do and when you should do it. But wait! We are not done. This model is not cast in stone and referred back to whenever a decision to be taken such as: Do we have enough value to go to market? Or will we have enough value to hit the optimal target window? Should we stop now because we will never have enough value? What other activities in the value chain would be effected if we stopped this effort?



Decisions. Whenever the need or want to decide comes up, go back to the value model. Have the inputs (cost, benefits, purpose, considerations) changed? Do you have new data to improve your cost estimates? Has the market window moved? Has the competition beat you to market so now your product must reach parity or do something different to differentiate your product?

Build in “chunks” of value. After a few chunks have been delivered, adjust your model inputs, gather all the stakeholders together, evaluate how much value you have using the adjusted model and decide if you should go to market, build more value, or stop the efforts.

Next Steps:

We have some ideas about looking at the rate your teams and company generates value but that is for the next version of this white paper. If you have any interest in what that looks like, contact Pollyanna at ppixton@accelinnova.com.