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Value Thinking in Lean Times: Put the Hatchet Away

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The current global economic downturn is significantly impacting organizations and their IT departments. Companies are increasingly focused on survival as budgets are cut or frozen and sales forecasts look flat. Employees are wondering if their job will be there tomorrow and IT leaders are challenged to do more with less. Everyone must justify their plans for limited resources and hunker down to survive the choppy economic waters ahead.

The typical response is for IT leaders to use a hatchet approach to make across-the-board cuts to services and people. While the cost savings are immediate, they are one-time fixes that essentially keep IT running with fewer people and services. This type of drastic cost cutting introduces risk and does not position the organization for future survival. While a hatchet approach may be required in the direst of situations, organizations implementing across-the-board cuts are squandering opportunities to deliver increased value while simultaneously reducing costs.

Progressive IT leaders are responding with a scalpel approach, seeking precision opportunities to do more with less. They accomplish this by prioritizing resource investments, focusing on delivering value to top management's most urgent problems and removing waste along the way. While potentially not as immediate as the hatchet, this more refined approach can also have short-term benefits while instilling best practices going forward. Transitioning a culture to continuous improvement with a focus on value can have positive benefits not only to the bottom-line, but also to employee moral--something hatchet cuts will never do.

In these lean economic times, IT leaders should take this opportunity to re-examine the way their organizations deliver value. They must not simply provide the typical lip service to this activity, but start to institute a culture change that places value delivery squarely in everyone's focus of attention.

Change must start with progressive business and IT leaders who want to focus on one simple guiding principle: deliver real stakeholder value as early as possible. Real stakeholder value is not just the delivery of features and running software (IT's measures of success). Real stakeholder value involves organizational improvements leveraging people, processes and technology working together to bring about results quickly--business measures of success.

IT leaders cannot simply be in the business of taking orders and building systems with even more user-requested features in the backlog. They need to engage and understand what drives value in their organization and focus their limited resources toward value-creation opportunities. They need to help the business clearly identify the desired business results (ends), then focus their resources on finding the mix of people, process and technology for delivering value (means).

Value Delivery Policies for IT

Cutting through the inherent complexity of IT projects and gaining this focus requires leaders to set policies that are simple, effective and transparent to everyone. IT leaders can start by introducing policies such as:

- **Top Critical Objectives:** All programs and projects should be based on a set of quantified statements (fewer than 10) about the improvements expected and results delivered as a product of the investment made. These improvements should be the primary measurement of value delivered. These objectives should be transparent and visible to all project members.
- **Deliver Value Early and Often:** All projects will attempt to deliver real, measureable value to stakeholders as early as possible. Delivery should be in days and weeks, not months and years. Delivery methods should be sustainable, adaptable and

scalable to the problem at hand.

- **Objectives Focused Contracting:** Outside contracting decisions should be based on direct or indirect contribution to the top critical objectives. As far as possible, payment will be based on actual measured delivery of results to stakeholders, through the use of contracts such as “No Cure, No Pay”. These contracts compensate contractors for value delivered, not effort expended.
- **Value-based ROI:** The IT organization will be evaluated on return on investment. ROI, as expressed by “stakeholder value delivered” divided by “resources consumed”, can be applied to all projects, managers and teams. While not the sole metric for IT success, it will show the degree IT is actually delivering valuable results to real stakeholders for their investments.

These four policies form the foundation for transitioning to a value-focused IT organization. These policies are simple and straightforward. However, adopting them in teams and organizations is much more challenging. But with proper guidance through the introduction of these policies, organizations can start to quickly focus on the right projects and measure investments with respect to business value delivered.

Taking the First Steps

While the details involved with rolling out these policies is beyond this short article, there are some concrete actions IT leaders can take to get started with implementing change:

- **Help the business define their critical objectives.** The business needs help in transitioning to value-focused thinking and away from feature-focused thinking. IT must help them clearly identify the desired results--with quantified statements--so IT can determine the best combination of investments necessary to help the business achieve their goals.
- **Prioritize critical objectives and get focus.** Once the critical objectives are established, business and IT need to determine the sub-set for attention now. Not everything can be a priority. IT leaders must ensure their limited resources are focused on those objectives delivering the highest business value early and often, and this priority is being set and managed by the business.
- **Align teams on delivering value incrementally.** Cross-discipline teams must be aligned with implementing business improvements using incremental delivery methods such as agile or lean. Gone are the days of organizing teams around functional boundaries. Today, strong leadership is required to get cross-discipline teams collaborating together and focused on delivering real results without letting anything get in their way. Contracts with outside parties should move toward a “no cure, no pay” mentality where vendors are paid based on value delivered, not effort expended.
- **Measure ROI often.** At the end of each iterative cycle, IT teams should report the value delivered to stakeholders--not just the number of features and screens built, but real business results. Even if ROI isn’t delivered after every cycle, the process of focusing on delivered value will ensure the team remains holistically focused on the business value of their project, not just the features being built. This is a cultural shift that leads to sustainable continuous improvement.
- **Continually reduce waste and improve flow.** As teams continually pursue value-creation opportunities, IT leaders should proactively invest in opportunities to reduce waste and remove non value-add processes. Lean can offer guidance here. Leaders shouldn’t wait until things are broken to start fixing issues; instead, they should proactively create a culture where continuous improvement is part of everyone’s job responsibility.

Are implementing these policies and changes easy? Absolutely not. Does it take guts to address these issues head on? Of course. But that’s what leadership is about. What better time than now for IT leaders to get serious about long term, sustainable results for delivering value? Not only will this shift in thinking help during the lean times ahead, it will also be an enormous competitive advantage when prosperity and growth returns.

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