Business Value Measurement

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Business value measurement is an excellent tool to help understand whether the *Agile* organization is creating actual value to its customers or just "Finishing the Feature". This article discusses the importance of measuring business value as part of the value delivery process.

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Business stakeholders define their needs in terms of "Business Requirements". Business requirements may be arranged in the organizational backlog in a form of MMF – Minimal Marketable Feature. The MMF is actually a container of business value and serves as the basic unit of work. MMF would preferably be inserted to the backlog by the business stake holders. It

is recommended to add its business requirement, description and acceptance criteria at the beginning of the workflow.

The basic question the organization should ask itself is: Is our goal to finish the MMF or to meet its business requirements? Hence, the next step will be assigning the **planned** business value for each MMF. Business value is assigned by the business stakeholder. Business value helps the organization to shift the focus from "Finishing the Feature" to creating real value to the customer. Planned business value may be defined in many ways and scales (e.g. numbering) as long as the **actual** business value that will be assigned to the MMF once it was accepted can be compared the planned and measured.

MMFs are constantly added, sized and prioritized in the organizational backlog and streamed towards the *Agile* teams (e.g. LAND workflow). After the MMFs are inserted to the backlog and contain all the above, the *Agile* team reviews the "candidates" to work on. Candidates are practically the MMFs with the highest priority that were defined by the business stakeholders at this point in time. The *Agile* teams will write the MMF's technical solution. The technical solution should be aligned with the business requirement in order to make sure that the MMF creates value to the customer. Based on the proposed technical solution MMFs are sized and shifted to planning by the *Agile* teams.

During the planning the *Agile* team reviews the MMF (e.g. candidates) and commits to deliver it based on the team's velocity. Plan by Velocity enhances the predictability of delivering value to the customers. The committed time line is aligned with the business stakeholders and establishes a "Contract" with them for the near future. Once committed, these MMFs become part the team's objectives.

At the end of the development process and once the MMF is accepted by the business stakeholder, the **actual** Business value of the MMF is assigned (again, by the business stakeholder). Actual business value reflects the level of compliance to the Business requirement and is compared against the planned business value. Full compliance means 100% business

valued achieved while partial compliance will be represented by lower percentage. The target of the *Agile* team is to achieve the highest possible actual Business value. High actual Business values means high level of compliance to the business requirement. High level of compliance means more value to the customers and therefore happy customers. The organization can also decide to use the level of business value compliance as a KPI and measure the teams' value creation for a specific time box.

Example: one of the organization I work with defined a business goal of reducing the number of incoming calls to its call center from 150 calls per hour to 80 calls per hour. For that, a number of MMFs were defined. The plan was to reduce the number of calls gradually. Each MMF added value (by solving an existing problem) and narrowed the gap between the existing state (that is, 150 calls per hour) to the business goal (that is, 80 calls per hour). However, once the last MMF was launched the number of incoming calls was reduced only to ~100 calls. The organization did create value but the business goal was not fully achieved. The first MMFs created full value and the first step was achieved but the last MMFs did not create full value. This situation should be discussed in a retrospective meeting in order to understand what the gap is and how the organization improves its process.

In summary, business value is an excellent tool that can be used by *Agile* organizations striving to focus on value creation. It is recommended to embed this tool in a full end to end Lean-Agile workflow (e.g. LAND). Using MMFs as a basic unit, measuring its business value and adopting a Lean-Agile process will enhance the organization's capability to create real value to its customers.

Good luck.