FUNDING AND PROGRAM GOVERNANCE:
THE BACKBONE TO BUILDING VALUE STREAMS

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As value stream Agile transformations become more widely adopted by financial services institutions, we consistently see similar challenges in funding and program governance which prevents organizations from unlocking their full potential. In this paper, we explore some of these common challenges in the form of annual funding cycles, traditional mindsets, multi-layers reporting, and segregated delivery pods.

Value streams allow an organization to focus on delivering value to their customers using a leaner and focused structure. This typically unlocks the ability to track and realize benefits while adapting faster to ever changing market demands. While following the step-by step guide to scaling value streams, we often focus and prioritize our time to implement Agile within the delivery factory through ceremonies and adoption of tools. The creation of pods and running agile ceremonies are critical, but without the correct funding cycles and program governance structure, major roadblocks will occur and ultimately hit a ceiling in the value released.

THE IRON TRIANGLE

Let us go back to Project Management 101 and revisit the triple constraint theory which describes an Iron Triangle consisting of Scope, Time, and Budget. The three constraints can be thought of as levers to a program where if one requires an adjustment, another will need to adapt in order to accommodate this change. Running and scaling value streams does not change this delicate balance and continues to follow same traditional project management constraints.

To illustrate this further, if scope in terms of product features increases and funding stays constant, the delivery timeline will surely increase. This concept is even more important when we think about the flexible and adaptive nature of value streams where the product roadmap is consistently reviewed and updated based on changing customer needs and program areas with the highest potential value realisation. In the same logic, you may now ask yourself – 'How can you implement value streams with an annual funding cycle?'. Well, the answer is - you cannot.

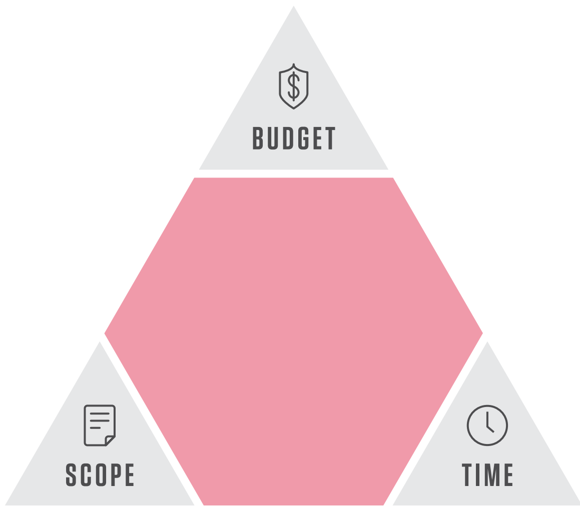

Figure 1: The Iron Triangle's three key levers

FUNDING CHALLENGES & GOVERNANCE

If you have participated in any large transformation or change initiatives within a large financial institution, there is a high chance you have come across a three-month budget planning exercise at year end to determine next year's budget plan across business units plus their corresponding allocation to change programs. This unfortunate reality still occurs as the financial institutions ultimately have shareholders to answer to. However, in order to adapt quickly to changes within the program, a more innovative approach should be taken in the form of iterative and periodic funding review cycles supported by a diligent monitoring process.

In order to find a balance between the existing annual budgeting process and the iterative nature of two-to-three-week sprints within an Agile project, quarterly reviews of the annual commitments should be introduced. The quarterly reviews consist of a transparent top-down funding allocation assessment based on prioritized outcomes coupled by an honest bottom-up assessment of delivery component benefits or costs. In a value stream construct, the change transformation office reviews the allocated funding to individual value streams or business areas based on the pre-determined program vision, defined outcomes, and OKRs. Value streams then further allocate funding to the sub-value streams in a similar manner. The prioritization exercise needs to be supported by data (e.g., tooling, infrastructure costs) provided by individual sub-value stream business outcome leads while focusing on what the program should be investing in and not what the program can afford. There will be instances where additional scope has been added to the program and requires additional funding so on top of periodic reviews, the feedback mechanism and a built-in funding contingency to capture and adapt to these requests become crucial. Every organization will set a threshold based on the nature of the program and their risk appetite, but a standard contingency should be around 30 percent of expected spend. With regards to the feedback mechanism, any changes in scope should be identified and tracked sprint over sprint so that early indications of changes are flagged, and expectations can be set while capturing and collecting as much evidence and rationale as possible to support the decision.

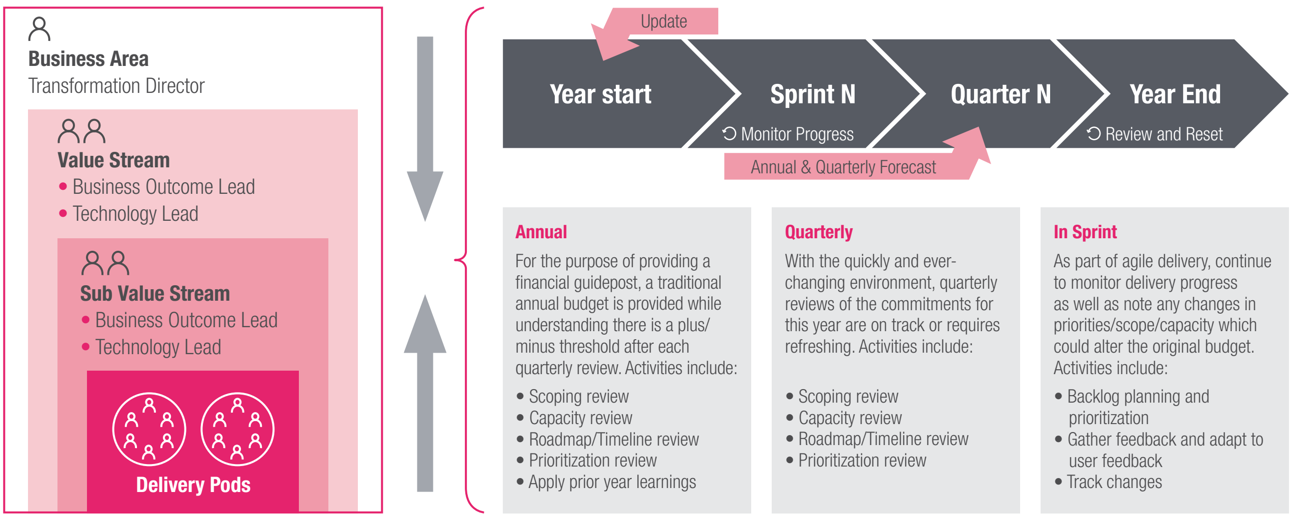

Figure 2: Quarterly funding reviews require both a transparent top-down funding allocation assessment based on prioritized outcomes as well as an honest bottom-up assessment of delivery components

Lastly, adoption of a large change like this cannot be done with a 'big bang' approach. While our clients today have typically attempted this after achieving a higher agile maturity level, this does not have to be the case. Start early and small while continuously improving through lessons learnt and ultimately improve the funding estimate's standard deviation and create a well-oiled machine. Theories and recommendations are easily put on paper, but change does not happen overnight and can be very difficult to implement successfully. The first logical step is education where organization-wide coaching can help bridge the challenges in understanding and mindset starting from the executive team all the way down to the delivery pods.

PROGRAM STRUCTURE CHALLENGES & GOVERNANCE

On top of funding governance, program structure governance is also essential to enable the cross functional pods and promote collaboration. While the consistent recommendation for value streams is to implement cross functional pods - typically including product, developers, testers, scrum masters, designers, etc - this approach naturally surfaces two big concerns:

1. Lack of collaboration across individual disciplines as product owners, designers, etc., are physically separated into different pods
2. Management and communication across pods in the form of reporting, governance, and control.

A simple but often missed solution to the first concern would be cross-team communities and workstreams that are led by discipline leads with a focus to create a space in which the team members feel safe and comfortable to discuss pain points, share learnings and knowledge, and align on best standards of approach. In addition to this, there are often situations where due to budget constraints, the discipline takes on a shared service model which adds an additional responsibility of capacity management to the workstream. Taking the example of the product management discipline, a product director or chief product owner should lead the product workstream so that the product managers within the pods periodically meet to view and discuss the overarching product roadmap, solve hurdles as a group, and agree on program level product standards.

Similarly for designers, this approach has proven very useful to align on design standards which lead to a consistent product look and feel across all channels and product functionalities. Design is also often selected to be a shared service so capacity management to ensure resources are fungible across pods would often be needed. As for the second concern for cross-team communication, the workstreams take the first step in addressing it but a committee can be created in the spirit of a scrum of scrums which can keep teams aligned to the program goals while surfacing any issues which require immediate attention.

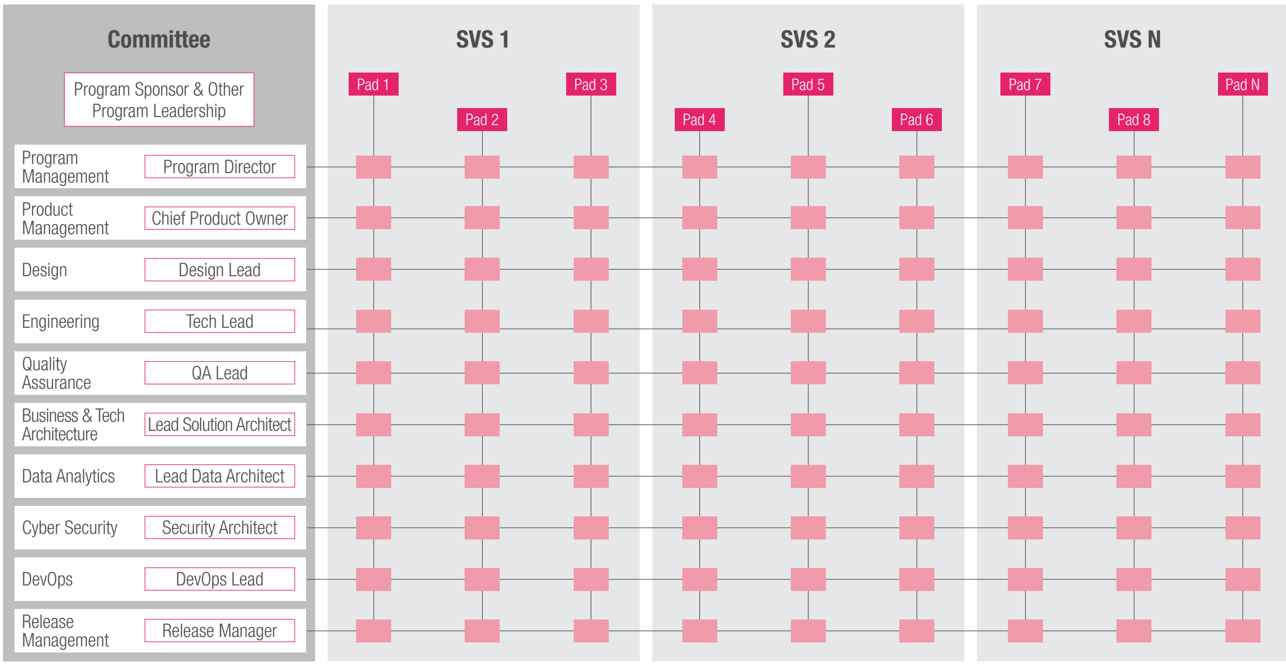

Figure 3: While each pod may not have a resource which represents each discipline, it is important to have interlock among pods as well as discipline leads to ensure product, process, and design consistency

The illustrative program structure shows a flat matrix structure that removes unnecessary multi-layered reporting and approvals, which lead to slow decision making. The flat structure naturally keeps reporting at a minimum which allows the team to focus their time and energy on delivery instead of managing leadership expectations. Please pause and take some time to reflect on the numerous reporting asks in your team today. Ask yourself – What is the purpose of each report? Is there overlapping reports with other teams? Are there tools which offer automated reporting?

KEY TAKEAWAYS

The key to success lies in the ability for organizations to complete this mindset shift and ingrain a new way of working into their DNA – from top to bottom and from lifelong employees to new joiners. Every organization is different and has their own challenges based on culture, agile maturity, global coverage, organizational structure, etc. There is no magic pill to realize the intended value and achieve greater customer satisfaction, so create a unique perspective and tailored approach based on your unique circumstances.

If you do not have time to absorb everything, I would ask that you please take away the five simple points below. Good luck and have fun!

1. Instil a new mindset across the entire bank – especially management
2. Do not be afraid to try new approaches early and fail fast
3. Annual funding cycles just won't cut it
4. Individual disciplines need a home too
5. Embrace new forms of automated reporting and minimize frequency.

If you want to learn more on how Capco can help organizations accelerate digital transformation through value streams, read https://www.capco.com/intelligence/capco-intelligence/how-organizations-can-accelerate-digital-transformation-through-value-streams

For more information on Ways of Working, reach out to Michelle Weatherup.