Xebia Webinar Agile Portfolio Mng: Budgeting and Financial Control

Questions	**Answers**
Cost (teams) are known, but not for external spend. How do you deal with the financial investments in things like hardware? In an IT-operations environment they go hand in hand with scope for teams	Two aspects: 1. Probably you will know hardware cost estimations when starting an intiative, say an Epic. Then: include these in the Business Case for that Epic. 2. Often: hardware costs scale with people costs. In that case use the total costs for your fixed estimate per time period.
how do you set the priorities? what method do you use?	1. As a first guideline, use the ratio of value estimation and cost estimation. Both can (and should be) relative numbers. This means that you only have to estimate initiatives relatively to each other. Value: what aspect(s) is/are (most) important to you or your organization? Examples: revenue, goodwill, regulations, customer satisfaction, risk reduction, cost reduction. Cost: what means cost to you or your organization? Examples: duration (lead time), (monetary) cost, effort, energy. 2. Keep talking to each other: maintain a dialogue about value and cost and keep using common sense! The number ratios are a guideline, not mandatory decision enforcers.

Suppose your team develops software for several budget owners. How do you charge the costs of products deliverd to the various budget owners?	Easy: keep track of which backlog items were realized for which budget holder. Then charge the ratio of (the 'weight' of those items and all items realized) times total team cost to that budget holder. Weight: measured in number of items or in estimation points (e.g. story points)
how do you check if you get value for money?	First of all: define up front what value means to you. See above. Second: Define a measurement that enables you to 'see' how much of this value is realized. Doesn't have to be quantitative, could also be an survey/inquiry, or qualitative scale. Three: ***use*** this measurement! Meaning: discuss it and have an opinion whether things are going as intended.
For financial reporting we distinguish between operational costs and cost that can be activated on your balance sheet. Assuming that this will no go away, what is the easy way of getting this information on the table?	Could be handled the same as in the case of several budget holders (see above). The question is: what is the compelling reason to distinguish between these types of cost? The money will be gone in either case. A good reason might be to have an informed idea about the ratio between operational and other costs: whether this ratio is as desired or should be changed in some way. The change option ***will*** take some investment by the way.

How can you bring teams to other areas where they still need to learn that (part of the) product?	A good way to do it is slowly, few persons at a time. This way, the learning person can get used to the new environment and the target area team will not be overburdened by helping a lot of people. Of course, this is, by definition, slow: keep this into account. If the target teams get too large: split them. This is sometimes called 'cell division'. Works well and will have almost no effect on absolute (total) performance.
I have (also) the same question as Gijs	See above
in a government setting the benefits are hardly financial, so (early) delivery doesnt "make" money immediately (only maybe cost reduction). Actually the benefits often lie outside your own organisation and far in the future. So the market logic doesnt apply one on one. How to connect value delivery to financial investment (value for money) in a goverment setting?	Already answered in webinar; The principle is the same, although less literal in the sense of money value that can be invested again. However, you could see it this way: when the desired value is delivered: (part of) a law, or regulations, or desired effects, then the will to invest more government funds increases. In effect this could be seen as reinvesting.
allocation: on number of storypoints or number of stories?	Both are possible; storypoints is a bit more precise. With large number of Stories the 'unprecision' of just using numbers will even out.
We call it 'feature-based costing'	Nice!
How do you estimate the budget when you want to start? How much do you ask? Is this also an estimation and after a few iterations becomes more accurate?	Yes, indeed. If in any way possible: try to compare with something similar. If this is not possible, try to start as small as possible (Minimal Product) and learn from that.

1. What is the most light-weight way (reducing the administrative load for the teams) to deliver the information that our finance colleagues require? 2. Are the requests from finance colleagues up for discussion (allocation, activation & predictability of costs)?	1. Try to find ways to produce the numbers by automation. This is almost always possible, certainly with modern techniques like RPA. And of course a lean approach would be to lessen the demand: try to reduce the financial questions to a minimum.
Can you tell more about the example you just mentioned where costs are no longer allocated? What did that look like? What was the alternative?	This was at a large bank. The department manager had arranged an agreement with Finance that he could ask for a yearly budget based on the number of employees in the department. He could then freely use this budget in his department and he only needed to report the produced results. So it was a kind of very coarse grained allocation: per department in stead of per (tiny) subject or product or service.
Most of the times the knowledge of the teams is limitating to change the focus of the team. Any suggestion how to maximize the flexibility of the teams?	Developing people to have more than one skill helps enormously. So T-shaping, PI-shaping, etc. And / or spend ***mandatory*** time on knowledge distribution. This is an investment into flexibility.

Without going into the specifics. You mention only advantages for Agile working (understandably). Are there any disadvantages you can name? There surely must be some?	Agile is meant for complex situations, meaning uncertainty in problem domain, uncertainty in solution domain, uncertainty in market / customer domain, etc. There are still lots of situations where there is not much or definitely manageable uncertainty. In those cases, Agile would work, but would not be the most efficient solution: time would be lost on review / retro / evaluation where none was needed. So, in controlled situations with low uncertainty: use Lean Manufactoring principles and techniques: analyse the process and optimize it with the measured data. Note however, that even manufactoring is much more prone to changes and uncertainty than say thirty years ago. So Agile is definitely becoming more and more the appropriate choice of thinking and working.
We run our complex world with complicated measures (Cynefin). This is doomed to fail	True! Watch out for this, because it seems intuitively a good idea: measure and know (Dutch: "Meten is weten"). However, if situations are onstantly changing, measurements are much less helpful / insightful.

did you record the meeting, would love to share your insights with the team	Yes! Link: https://pages.xebia.com/recordings-webinar-apm-budgeting-and-financial-control?utm_campaign=XCITE%20MKT%202022&utm_medium=email&_hsmi=210703464&_hsenc=p2ANqtz-9K-mwmMz7l4wGbXY451yvmDurxW8kEoSPpH8HSrLoEjpgmikviz3-IlaP7rJ0VuymwIDJpuZ4nZxQ2ELT5nts7wV2lSw&utm_content=210703464&utm_source=hs_email