

Drills

Show Me The Money

Introducing Accepted Value Costing (AVC).



A Popi & Dave Event



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Drill #1 Basic Proportional Arithmetic



- Grab drill sheet #1.
- Sum the numbers.
- Divide each number into the sum to yield the proportion to the sum.
- Add the proportions and check that they equal 1.

Drill #1 Basic Proportional Arithmetic - Solution

	Numbers	
	7	
	2	
	5	
	13	
	11	
	17	
	19	
	3	
	23	
Sum		

Drill #2 Normalizing Cost



- Grab drill sheet #2.
- Each row represents a Scrum user story with story points and a feature parent.
- Apply the basic proportional arithmetic procedure that you learned in drill #1.
- Assume one fully committed Scrum team of seven people on a three-week iteration cadence. Assume 160 hours / month at a blended labor rate of \$85 / hour. Determine the effective fixed cost for the team for one sprint.
- Normalize the costs of each user story proportionally.
- Build a table of the feature cost allocation.

Drill #2 Normalizing Cost - Solution

FeatureNum	Story Points		
18	4		
9	8		
95	8		
18	4		
89	4		
8	4		
18	4		

Feature Cost Allocation		
	8	
	9	
	18	
	89	
	95	

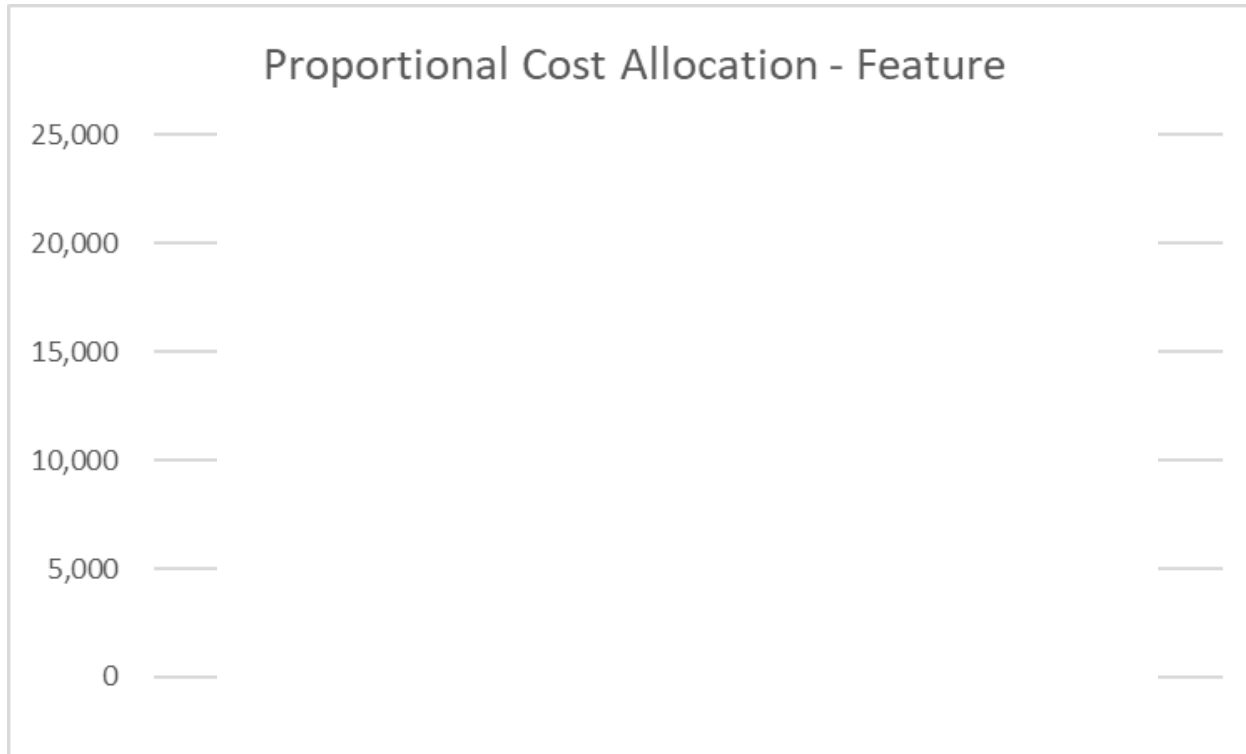
	per sprint of three weeks
	team members
	cost per team member per sprint
	160 hours per month assumed; 120 hours for a three-week sprint
	blended hourly rate per sprint (contractor's estimate of loaded indirect labor cost)

Drill #3 Histogram



- Grab drill sheet #3.
- Sort the the feature cost allocation table from drill #2 in decreasing cost order.
- Draw a histogram of the sorted table.
- Draw the data table below the histogram with columns 'cost' and 'feature' from left to right.

Drill #3 Histogram - Solution



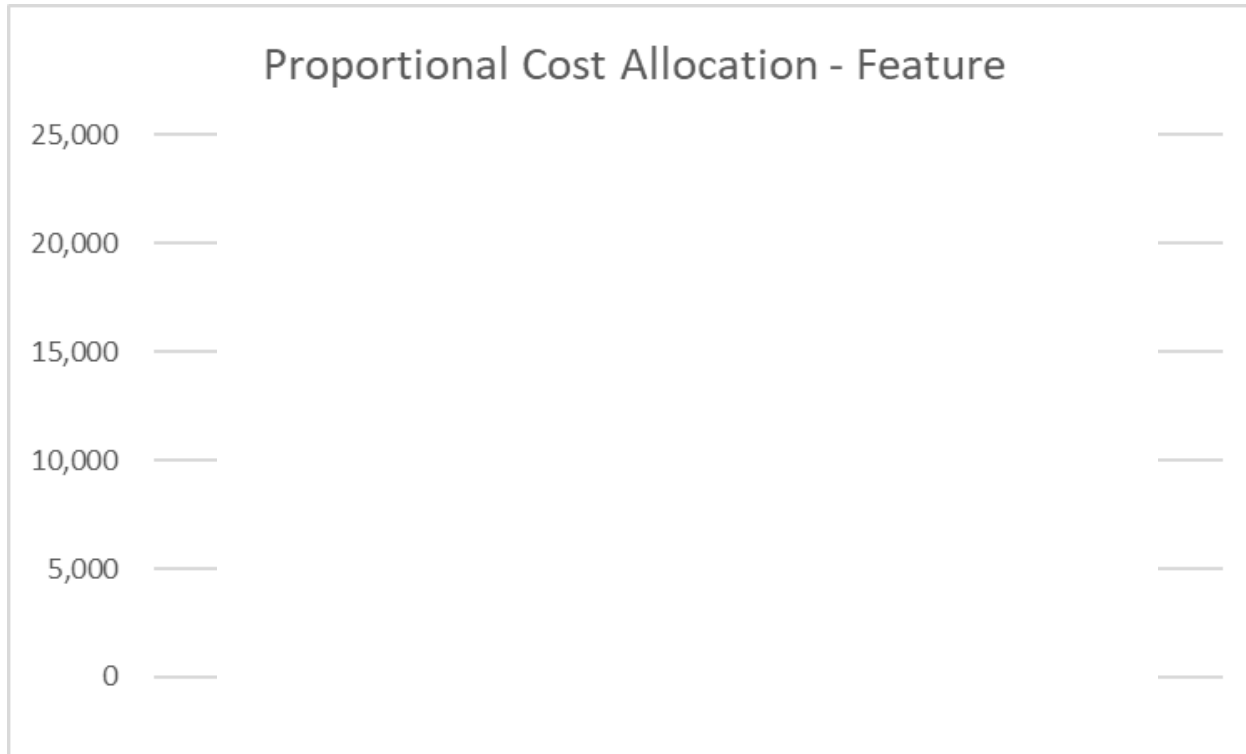
Cost	Feature

Drill #4 Decision Making



- Grab drill sheet #4.
- Using the qualitative cost-to-value decision-making model, fill in the value and decision columns based on the following conditions:
 - ✓ Feature 18 is high value and in-progress
 - ✓ Feature 9 is good value and complete
 - ✓ Feature 95 is low value and in-progress
 - ✓ Feature 8 is low value and complete
 - ✓ Feature 89 is good value and in-progress

Drill #4 Decision Making - Solution



Cost	Feature		Value	Decision

Drill #5 Kanban Service Class Proportions



- Grab drill sheet #5.
- Assume a monthly operations review cadence.
 - ✓ Note the five classes of service
 - ✓ Note the committed cost of indirect labor
- Apply the basic proportional arithmetic procedure that you learned in drill #1.
- Apply the cost normalization procedure you learned in drill #2.
- Think about the histogram you created in drill #3.
 - ✓ Is it necessary for Kanban?

Drill #5 Kanban Service Class Proportions

Service Class	Throughput		52,500	Committed cost over one month		
Expedite	2					
Std.A	8					
Std.B	5					
FixedDate	3					
Intangible	1					

Drill #6 AVC At Scale

ATTENTION!
This is the
big one.



- Grab drill sheet #6.
 - ✓ You will use everything you have learned in drills #1 through #5.
- Assume that the work item data for three teams have been exported from an ALM tool.
 - ✓ Predicate = 'Accepted'
 - ✓ Predicate = <90 day range>
 - ✓ Predicate = 'Feature in progress'
- “All in” cost for the teams is \$600,120.
- Apply the 80-20 rule to determine the highest cost feature.
 - ✓ When ready for the 'value' determination, call for a presenter to share it with you.
- Debrief with the presenters.

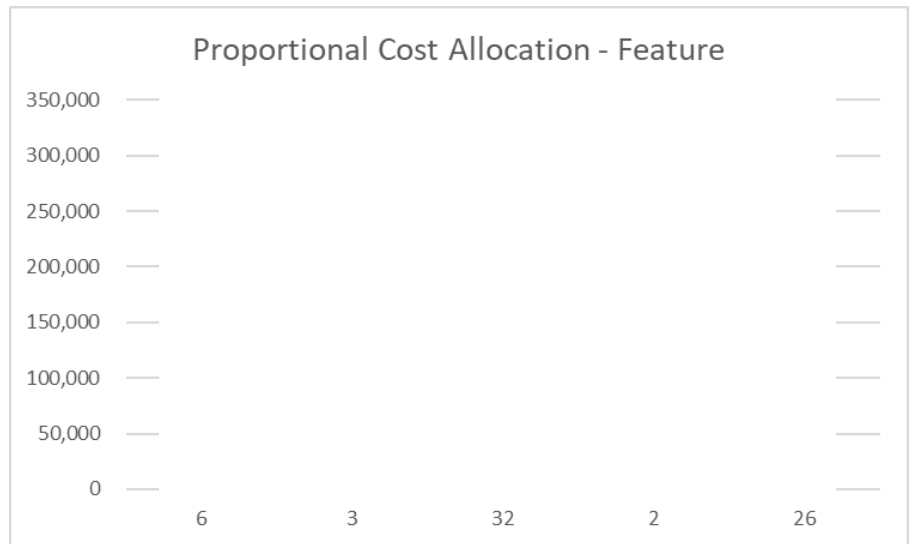
Drill #6 AVC At Scale

	Story Points		600,120
6	29		
3	23		
32	13		
6	17		
26	5		
2	11		
6	7		

Decreasing proportional cost per feature

	6		
	3		
	32		
	2		
	26		

Cost	Feature		Value	Decision
	6			
	3			
	32			
	2			
	26			





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