



# *Transition to a* **Product Funding Model**

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# Purpose/Agenda

**To**, present an overview of the **product-funding model** as the **best** method for operating in the digital economy...

**By**, sharing details, knowledge, and my experience. I'll be covering the **What**, **Why**, and **How** of this *approach to funding*...

**So that**, you will strongly consider **adopting product-based funding** as a **catalyst** to **true organizational improvement**...

# Presenter Bio

## Christopher Pola

Rally Software  
Executive Advisor/Solution Engineer  
SCP 4.0, CSPO, CSM  
*April 2015 - Current*



**App Developer Magazine** Article [here](#)  
ALM Data Strategies that Mimic the Benefits of Blockchain

**Speaker at Agile 2019**  
My LPM Toolkit: The Gambler & Sizing Charts

**Lightning Talk at Agile 2019 and XP2020**  
**Agile Capitalization:** Making your CFO the Biggest Proponent of Limiting Work In Progress (WIP)

**Rally** [Blog Posts](#) | **Broadcom Enterprise Software Academy** [Blog Posts](#)

**“...creating systems that unleash  
the human potential of the  
modern knowledge worker...”**

# Glossary

## Product

*Anything that fulfills a need or desire of a customer*

## Value Stream

*Set of activities and processes that take place to create something of value for a customer*

## Lean Management

*A method of managing and organizing work with the aim to create sustainable value for a customer*

## Lean Budgeting

*Applying the lean principles and practices and methods to the budgeting process*

## Funding || Allocations

*Act of providing resources for a particular purpose*

## Taylorism

*A theory of management that synthesizes and analyzes workflows. Fit for the industrial revolution, not so much the digital economy...*

# What...

*...is the Product-Based Funding Model*

# What is 'it'?

Summary of What is Product-based funding...

Conceptually

**Investment Process** vs. Budgeting Exercise

*In practice we separate the traditional budgeting inputs...*

**Separate** our **Capacity** (*people/time*) from **Demand** (*backlogs*)

*Budget: Capacity (ppl/time) + Forecast: Outcomes*

*vs. Budgeting big upfront plan (fixed scope estimated ROI)*

*Manage: Demand via* **continuous planning + allocations + ruthless prioritization**

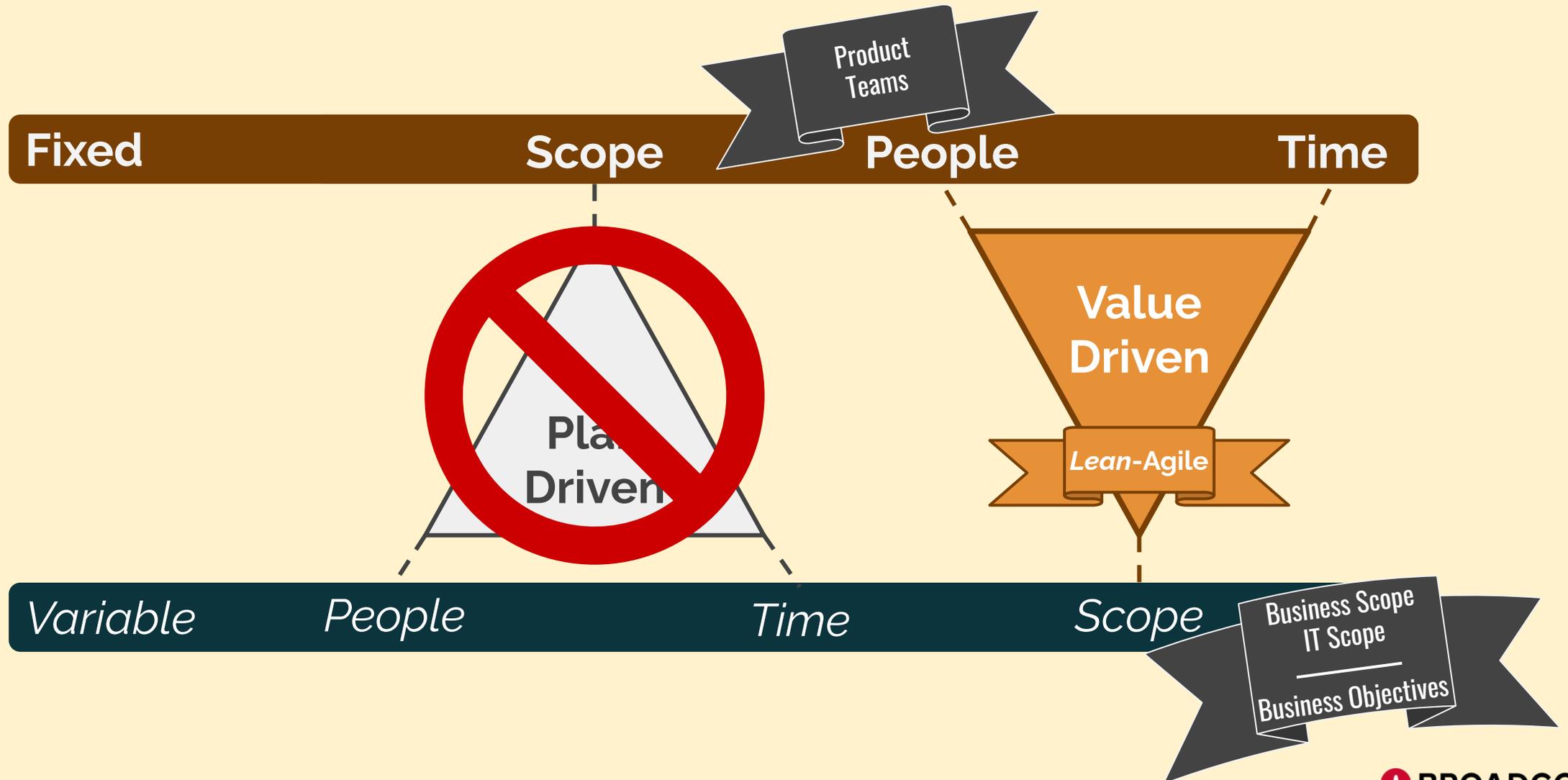
*Guided by Product Life Cycle*



*Confidence* **↑↓** *Knowledge*

# Paradigm Shift: Operate from First Principles

**Mindset** Flippity flop - Not an abstraction



# Solving the Matching Problem & Delays Responding to Change



Combine: IT's responsibility for KTLO or BAU w/ Business Demand. *Beware Cost Center trap!*

Product Life Cycle/Evolution: *MVP* vs. Growth vs. Maintenance vs. Tech Debt vs. Architecture?

Prioritize Work based on Leading Indicators + *Flow* - Manage Governance + Risk at lowest level

# Why...

*...adopt the Product-Based Funding Model*  
New management models are a once in a century type of event

# *Atomic unit of agile:* **Persistent + Complete Teams**

*Team is more than just a development construct...*

*Improved*

**Learning + Knowledge**

*Performance*

**Focus on team not individual**

*Simplify*

**Budgeting**



# WHY?

**Way too** much effort in planning...  
**Way too** much detail...  
**Way too** far out...  
We all **abhor** the **process**...

"Can a **company** be adaptable  
- **sense and learn** - by just  
planning once a year?"



Prod Dev/SW is a **creative activity** not a mechanical one. We **need**  
**stability + agility**; maintain **fiduciary responsibility + empower**  
**knowledge** workers with **purpose**

*Taylorism vs. Peter Drucker + Don Reinertsen + Mik Kersten + Jeff Sutherland + Tom and Mary Poppendieck...*

## Product-based Funding Model **BENEFITS**

- **Enabler: Strategic Initiatives** are generally cross-functional in nature
  - Projects + Cost Center Trap = Silos
- **Enabler: Principles of Decentralized Decision-Making + Variability**
  - Exploit Variability + Sense & Respond at all levels
  - Participatory Budgeting: Empower people w/ most knowledge and ownership in delivery
  - ROI is limited
- **Enabler: Eliminating waste** and bolster **fiduciary responsibility**

# How...

*...to adopt the Product-based funding Model*

# Organize Around **Products** (*Value*) Fund **Teams** && Set **Business** **Objectives**

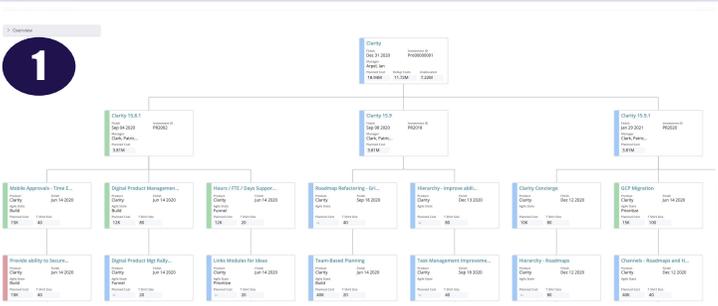
*...Lean Budgeting: Product-oriented Value Stream P&L / Box Scores*

*...Strategic Objectives/Business Outcomes set the goals for the Product line/group etc.*

*...Financial plans/budget have revenue forecasts based on planned strategic business outcomes*

# Strategic Investments = Allocations

## Organize around Product Prod Portfolios/Groups/Line || VS/Domains

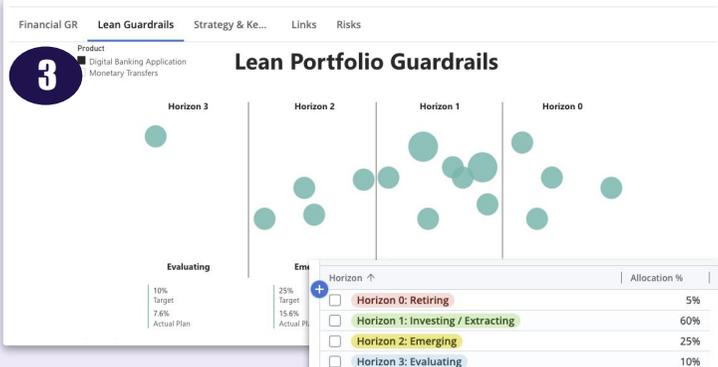


## Set Strategic Objectives Business Outcomes/Value Based

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Group	Strategy	Name	Product	Start	Days To Due Date	Objective Status	% Attainment
Achieve Sustainable Growth		Broaden Enterprise Adoption	Clarity	Aug 31 2020		80 Working	100
		Increase Modern LIX Adoption	Clarity	Aug 31 2020		80 Achieved	100
Improve Customer focused Innovation		30% of Innovation Driven From Customer-Specified Capabilities	Clarity	Apr 01 2020		(71) Achieved	100
Increase Executive Relevance		Complete Digital Product Management	Clarity	Aug 31 2020		80 Working	0
		Digital Product Management Customer Reference	Clarity	Aug 31 2020		80 Working	10
		Enable Field & Partners on Digital Product Management	Clarity	Aug 31 2020		80 Achieved	100
		Value Delivery of Integrated Offerings	Clarity	Aug 31 2020		80 Achieved	100
Simplify Operations & Execution		Product Quality - Drive engineering efficiency - reduce customer defects by 20%	Clarity	Aug 31 2020		80 Working	20
		Product Quality - Increase defect fix velocity by 20%	Clarity	Aug 31 2020		80 Working	25

## Portfolio Analysis Investment Horizons Team Capacity Allocation Decisions



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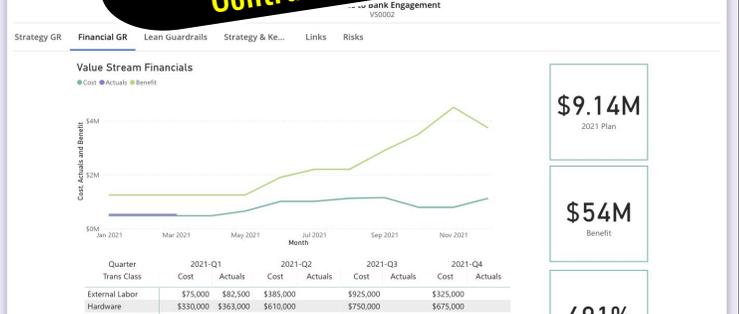
Allocations per planning horizon = Strategic Decisions

Product	Yr %	Planned Cost	Product	Product Base	Product Bkt	Customer Chn	Operatn	Usage Sctn	Segment
SW	20	13,176,000	102	38,000,000	148	5N	ACPS	10	ACPS
Hardware	00	8,000,000	53	5,000,000	395	07N	Essential P...	4	Essential P...
SW	00	3,000,000	47	23,000,000	303	07N	Essential P...	4	Essential P...
SW	10	10,298,000	67	89,000,000	781	5N	VarCoPs	5	VarCoPs
Hardware	5	15,000,000	53	95,000,000	453	5N	DeCoPs	5	DeCoPs
Hardware	5	14,000,000	53	45,000,000	221	5N	DeCoPs	6	DeCoPs
Hardware	00	8,000,000	53	6,000,000	251	07N	Essential P...	1	Essential P...
Hardware	00	3,000,000	47	5,000,000	276	07N	Essential P...	1	Essential P...
Hardware	00	3,000,000	47	6,000,000	146	07N	Essential P...	1	Essential P...

## Fund Product Teams Financial Plans/Lean Budgeting P&L Results/ Overhead

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Individuals, Shared Teams, Contractors? = NP



# Teams *given autonomy on how to* achieve business objectives Capacity Allocations *for each* *planning horizon*

...Agile Portfolio > Program > Team **Backlogs (Scope)** all aligned to Strategic Business Objectives  
...Additional 'Funding' processes can be replaced by **LPM practices** via **Portfolio Kanban**  
...Capacity **allocations** for each planning horizon **representative** of the **product life cycle**

# Allocations > Disaggregate > Prioritize > Pull

*Prioritize the right thing to build at the right time, and then build it right too...*

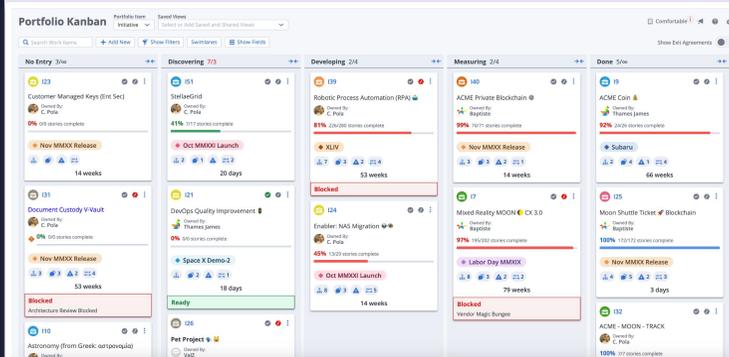
## Portfolio Backlogs

Teams disaggregate the work  
Aligned to Business Outcomes

Rank	ID	Name	State	Planned Start Date	Planned End Date	Percent Done By Story Plan Estimate	Percent Done By Story Count	Blocked
1	I51	StellaeGrid	Discovering	03/29/2021	12/21/2022	43% 3274 points complete	41% 317 stories complete	
2	I40	ACME Private Blockchain	Measuring	06/05/2020	03/31/2021	99% 304307 points complete	99% 7071 stories complete	
3	I39	Robotic Process Automation (RPA...)	Developing	09/09/2019	05/31/2021	82% 918116 points complete	81% 22628 stories complete	
4	I19	ACME Coin	Done	09/03/2018	01/31/2020	100% 7979 points complete	92% 2426 stories complete	
5	I24	Enabler: NAS Migration	Developing	01/01/2020	06/18/2021	47% 75163 points complete	45% 1329 stories complete	
6	I21	DevOps Quality Improvement	Discovering	11/01/2019	03/31/2021	0% 0 points complete	0% 0 stories complete	
7	I26	Pet Project	Discovering	08/01/2019	04/29/2022	89% 7584 points complete	82% 2328 stories complete	
8	I22	Enabler: Cloud IaaS Migration	Discovering			0% 0 points complete	0% 0 stories complete	
9	I25	Moon Shuttle Ticket Blockchain	Done	11/28/2018	05/25/2021	100% 63454 points complete	100% 172172 stories complete	

## Portfolio Kanban

Pull vs. Push  
Limit WIP/Work to Capacity



## Portfolio Allocations

@ all levels of Portfolio Hierarchy  
Participatory Budgeting



# Governance + Performance

Product-oriented Value Stream

*...measure w/ leading indicators: Flow, Lean-Agile metrics and lean accounting practices  
...true governance is inherent in the actual lean-agile processes; eliminate proxy  
metrics/manual data collection*

# Effective Financial + Operational Governance

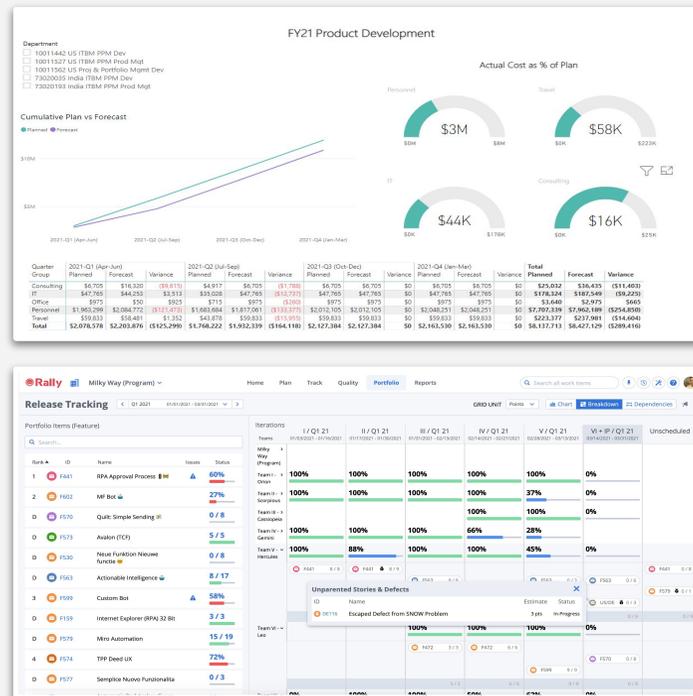
## Business Results

Traceability/Audit  
Investment \$\$\$ to Work Items  
Simplify Finance + Accounting Activities



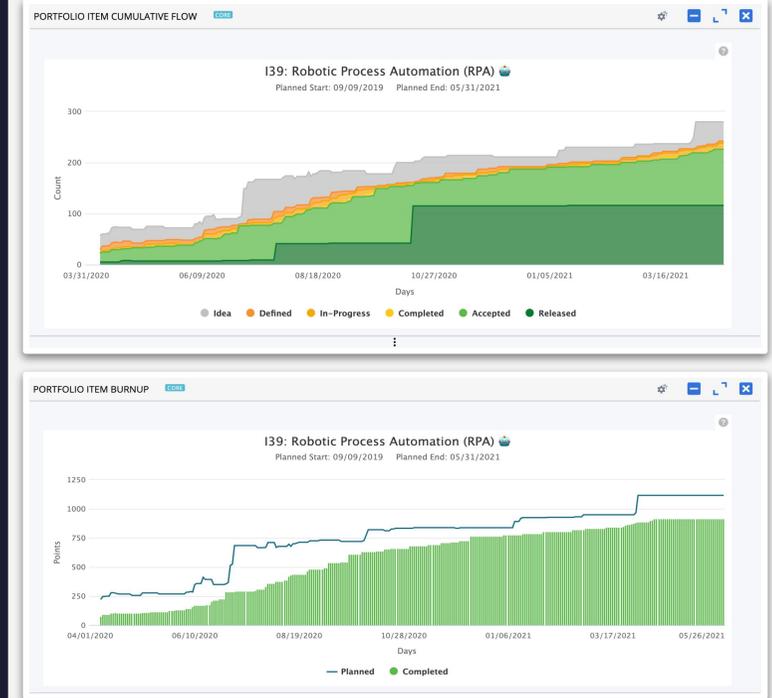
## Sense & Respond

Business Steering Quarterly/Monthly  
Make Pivots **Big** or **Small**



## Measure What Counts

Flow Metrics vs. Proxy Metrics  
Key Results + Outcomes



## Financial Services + Digital/Manufacturing Customer

.....

- **Organizational Design**
  - Reorganize into team-based structure
  - Use your own taxonomy: e.g. *LOB > Product Line > Products/VS > Solutions > Programs > Teams*
- **PMO Transformed = Portfolio Management Office; Capital 'P'**
  - Investment Horizons and Capacity-Allocations: Teams moved to innovation/growth areas and reduce BAU on retired products.
- Set **Strategic Priorities/Business Outcomes** for ea. *'Product'*; guardrails for agile backlogs
  - Focus, Alignment, and Engagement for the teams
- Product Mgmt given **autonomy** and **empowered** to manage the agile portfolio backlogs
  - Collaborate closely with the business to prioritize work and build capacity plans to deliver on strategic OKRs
- Governance = Verify **Business Results + Flow**: Lead Time, Cycle Time, Queues, etc.

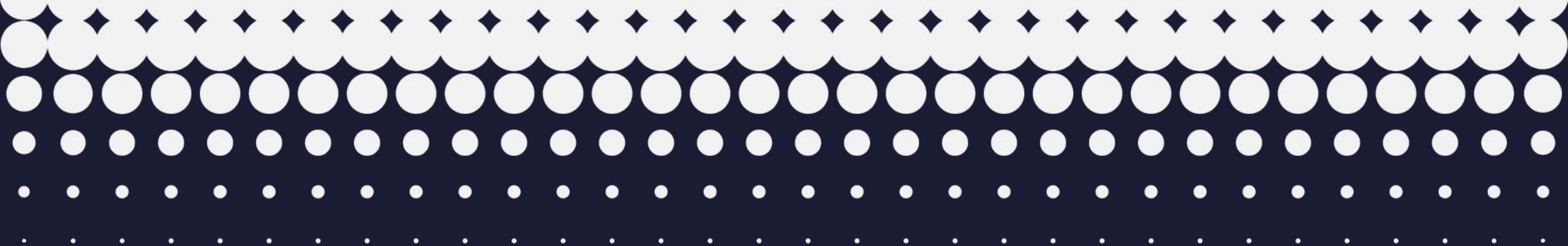
# Conclusion

Product-based Funding Model

*...how do we know we are on the right path with the Product Funding method?  
...what signals would I look for?*

**Eliminating Transactions**

**Data Domains + Governance**  
*orientate around*  
**Products + Value**  
**Outcomes vs. Outputs**



**Thank-you for attending in this webinar.**

*Q&A to begin now...*





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