

AgileThought

Calculating Return on Investment for Agile Transformations

Overview

We know that agile works—it has become a well-established framework in organizations around the world for the last two decades. Adopting the agile methodology produces demonstrable results through increased business value, faster time to market, reduced costs and waste, improvements in product quality and customer happiness. But calculating return on investment (ROI) in your own organization is tricky because there is no silver bullet. In this article, we will discuss the quantifiable costs and benefits to adopting agile, as well as the un-quantifiable results that have made agile a household term in the enterprise.

Fuzzy Metrics

It is a common misconception that the benefits surrounding agile are intangible—and that business leaders “just don’t get it” when counterparts in the IT department talk about their success with agile adoption. It’s true, we often hear anecdotally that the most buzzworthy part of an agile transformation will focus on employee happiness and promotion of a positive agile culture. But these internal celebrations serve as key indicators to attuned business stakeholders that support the message that agile has an ultimate financial impact through increased effectiveness, reduced waste and customer satisfaction.

Facts & Figures

Countless scholarly studies have been conducted to quantify the ROI surrounding an agile transformation. The information below are summary results from some of the most compelling studies:

For global IT engagements; 49% of projects are late, 43% exceeded initial budgets, 31% did not meet their goals, and 14% of projects fail outright¹

- › Study and survey by the Project Management Institute (2017).

Agile generates a 4x ROI versus traditional waterfall-based methodologies²

- › Renowned author Dr. David Rico measured over 300 scholarly articles and 29 studies to create a holistic snapshot of agile benefits in corporate systems.
- › Criteria for the aggregated 4x improvement findings measured cost, schedule, productivity, quality and customer satisfaction.

Agile led to an 84% defect reduction and 68% schedule improvement over norms³

- › By monitoring two large enterprises, author Michael Mah published a study that measured pre-agile outputs versus post-agile adoption outputs.

KEY BENEFITS

- › Speed to Market
- › Customer Satisfaction
- › Reduced Waste
- › Organization Alignment
- › Increased Quality
- › Market Responsiveness
- › Employee Happiness
- › Minimized Risk

Agile adoption has a 205% advantage in returns when measured versus the traditional plan-driven approach.⁴

- › IBM Developer Roger N. Dunn authored a study that focused on the cost reduction and increase in returns in adopting agile over traditional “waterfall” practices.
- › With the same cost / budget, agile was shown to generate 63% higher returns versus the traditional plan-based approach.

Agile firms outperform non-agile firms with up to 36% in earnings per share (EPS) growth.⁵

- › A study of 15 firms in the Fortune 500 by the nonprofit BTM Institute showed significantly higher revenue growth and net profit margins for those firms who have a “more converged business technology management structure”.
- › The study also found a 12% average annual revenue growth of these converged firms versus just 1% revenue growth in their non-converged peers.

Becoming a Data-Driven Organization

So, what are you measuring now and what are your key success metrics? Analyzing the financial data-points listed in the examples above may not be the right approach for you. Becoming a data-driven organization is not just about collecting more information but establishing a standard baseline for the right information to analyze and interpret. When evaluating the benefit of an agile transformation investment, most companies are not capturing the appropriate initial data that can quantify the ROI surrounding a long-term transformation.

There is value in soliciting help from an outside third-party to evaluate your current state. Early assessments to kick-start a transformation focus on identifying the criteria that both teams and leadership value the most. Through techniques like objectives and key results (OKRs) or the balanced scorecard (BSC), consulting organizations can take an unbiased look at your current state and help provide a roadmap towards your desired future state.

Valpak Case Study⁶

When AgileThought started working with Valpak, there was an aggressive goal to transform its entire IT department from a managed, chaotic, waterfall organization to a highly tuned, agile-thinking, iterative organization. What started solely focused on IT quickly filtered throughout the entire organization, including other departments like marketing and leadership. Departmental barriers slowly started breaking down and collaboration increased.

Valpak had recognized it was behind in its industry both from a technology perspective and from a business perspective. As it changed the speed at which it delivered, its own franchisees claimed that the corporate office was now further ahead and requested that it slow down.

According to Valpak CIO Chris Cate, AgileThought brought a level of agile coaching to his organization that

not only helped the technical teams, but also the entire organization. Said Cate, "We always had a go-to coach that could help our senior and mid-level leaders as we changed our culture. They have helped us to fundamentally change the way we get work done at Valpak. AgileThought is that partner that helped us do something unique and create a competitive advantage in the marketplace."

Contact us today to learn how our approach and services are built for your company's long-term success. 877-514-9180.

References

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AgileThought

Human Potential, Digitally Delivered

From concept to delivery and support, AgileThought helps clients transform by delivering new solutions at scale and continually improving them. AgileThought is a full-service digital transformation and consulting firm with specializations in custom software development, user interface and experience design, rapid prototyping, managed cloud services, data analytics and collaboration, IoT, artificial intelligence and machine learning, robotic process automation, business intelligence and analytics solutions, and agile and DevOps consulting and training. The company has been recognized as one of the country's Best Companies to Work For by Fortune magazine and was named a finalist for the 2019 Microsoft AI and Machine Learning Partner of the Year Award. It is currently listed on the Inc. 5000 list for the twelfth consecutive year and was also listed as one of the Best Company Cultures by Entrepreneur magazine. It serves Fortune 1000 clients from offices across North and Latin America.

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