CASE STUDY – VALPAK

Background

Established in 1968 and headquartered in Largo, Florida, Valpak is one of the leading direct marketing companies in North America, owned and operated by Cox Target Media (CTM), a subsidiary of Atlanta-based Cox Media Group (CMG). In addition, Valpak has one of the largest collections of digital coupons on the Internet with thousands of local products and services, as well as national brands.

Working in partnership with its network of nearly 170 franchisees in the U.S. and Canada, Valpak helps more than 54,000 businesses a year to achieve their marketing goals. Valpak's primary competitors are Money Mailer, Valassis (Red Plum), and Super Coups. Valpak's secondary competition includes newspapers, television, Yellow Pages, and any other forms of advertising. All in all, Valpak is trusted by consumers and merchants alike to consistently deliver value. The Blue Envelope® delivers savings and value to nearly 40 million households each month. Annually, Valpak will distribute some 20 billion offers inserted in more than 500 million envelopes. Valpak also offers digital solutions with www.Valpak.com®, an online site for printable coupons and coupon codes, which has nearly 70 million offer views each month, as well as apps for smartphone platforms.

Valpak's IT group builds and supports technology for a wide variety of stakeholders and audiences including Consumers that are focused on saving money with coupons, Valpak Franchises that need systems to run their business and sales operations, Merchants interested in tracking and maximizing their returns on investment, and traditional internal corporate stakeholders that need to run the core business operations. Efforts for these distinct audiences include:

- **Valpak Franchises** – Order entry, office management, mobile/online sales tools and CRM applications are developed to support Valpak's 170+ franchise locations located in the U.S. and Canada. These franchisees are independently owned and operated locations that utilize Valpak's franchise system to sell Valpak print and digital products to local merchants.

- **Consumers** – Savings/coupon applications and websites are developed that provide daily value to consumers looking to save money on their purchases. Consumers can interact with Valpak savings *anywhere @ anytime* regardless of whether they are using Valpak's traditional "print" mailer or one of Valpak's several digital channels (web, mobile, SMS texting, email). Valpak's savings content is also distributed to over 150 partner websites as well.

- **Merchants** – Online websites and mobile applications are developed to allow merchants to manage their advertising campaigns with Valpak.

- **Corporate** – Traditional back-office operations including Manufacturing, Marketing, Finance/Accounting, Order Processing and Sales. The IT group develops and supports various ERP and custom application solutions to automate these back-office operations.

Valpak's ability to utilize technology to transform their business is a very significant factor in their business success and Valpak's IT group is an integral part of the business transformation and growth of the company. To compete with the quickly changing Digital savings marketplace, Valpak transitioned the entire IT organization to Agile Scrum/Kanban processes with 2-week sprint delivery cycles.   They embraced this change and quickly adapted. This effort was so well done in the IT organization that Valpak is now driving the Agile culture throughout the company, heading toward "The Agile Enterprise".

As Director of Agile Leadership at Valpak, Stephanie Stewart[1] has been responsible for leading the Agile Transformation.   In this role, she is responsible for process facilitation, portfolio governance, program management, project management, and of course, oversight of related people, processes and tools. Stephanie leads the team of Agile Project Leaders that handle everything from project management to ScrumMaster-ing to leading Kanban teams. A self-admitted Agile enthusiast, Stephanie

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[1] http://www.linkedin.com/pub/stephanie-stewart/31/317/a01

has worked passionately to encourage and support the IT organization at Valpak in fully embracing Agile software development, to move Valpak towards a greater vision of "The Agile Enterprise".

Chris Cate, CIO, is the Agile executive champion working with Stephanie and the executive leadership team in transforming the company over the past year. Chris also evangelizes "The Agile Enterprise" vision by encouraging the adoption of Agile values and the use of Agile methods for non-IT departments.

Bob Damato, Director of Software Engineering, led the adoption of Agile technical practices such as test driven development, continuous integration, and evolutionary architecture. Strong leadership for technical practices across teams has been critical to maintaining and improving quality as part of the Agile transformation.

Overview

Valpak's overall enterprise-level approach is based on the Scaled Agile Framework[2] which is shown in Figure 1. The Scaled Agile Framework (SAFe) was described in more detail earlier in the book and consists of three primary layers:

- **Portfolio Layer** – The Portfolio Layer is the highest and most strategic layer in the Scaled Agile Framework where programs are aligned to the company's business strategy and investment intent.

- **Program Layer** – The Scaled Agile Framework recognizes the need to align and integrate the efforts of multiple teams that are engaged in large, complex enterprise-level development efforts to create larger value to serve the needs of the enterprise and its stakeholders.

- **Team Layer** – The Team Layer forms the foundation of the Scaled Agile Framework and is where the fundamental design, build test activities are performed to fulfill the development requirements for each major area of business. At Valpak, there are actually two different development processes that are used in the Team Layer as shown in Figure 2. In most cases, Scrum is used for more exploratory development while a Kanban process is used for "run the business" kinds of development.

Valpak implemented the SAFe from the bottom up:

- In October 2011, Valpak started with 6 Scrum teams and 3 Kanban teams at the Agile teams (bottom) layer of the SAFe (Valpak currently has 10 Scrum teams and 3 Kanban teams)

- Shortly after the Agile teams were established, Valpak implemented road-mapping and release management with the middle layer of the Scaled Agile Framework in mind

- Most recently, Valpak implemented the Portfolio Kanban at the top layer of the Scaled Agile Framework with their leadership team of Executive Sponsors

- Last but not least, Valpak added the Architectural Kanban

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[2] http://scaledagileframework.com/

There are two key things that are most significant about this case study:

1. Valpak recognized the need to adapt the agile development process at the team level into an overall enterprise model that it is well-integrated with their business. Valpak is one of the initial pioneers in the use of the Scaled Agile Framework to provide that integration.
2. Valpak also recognized the need to use a Kanban process for "run the business" efforts, instead of Scrum that is used for exploratory development, because the needs are very different.

Both of these efforts show real thought leadership to fit a methodology (or combination of methodologies) to the business and projects instead of force-fitting the business and projects to a pre-defined textbook approach.
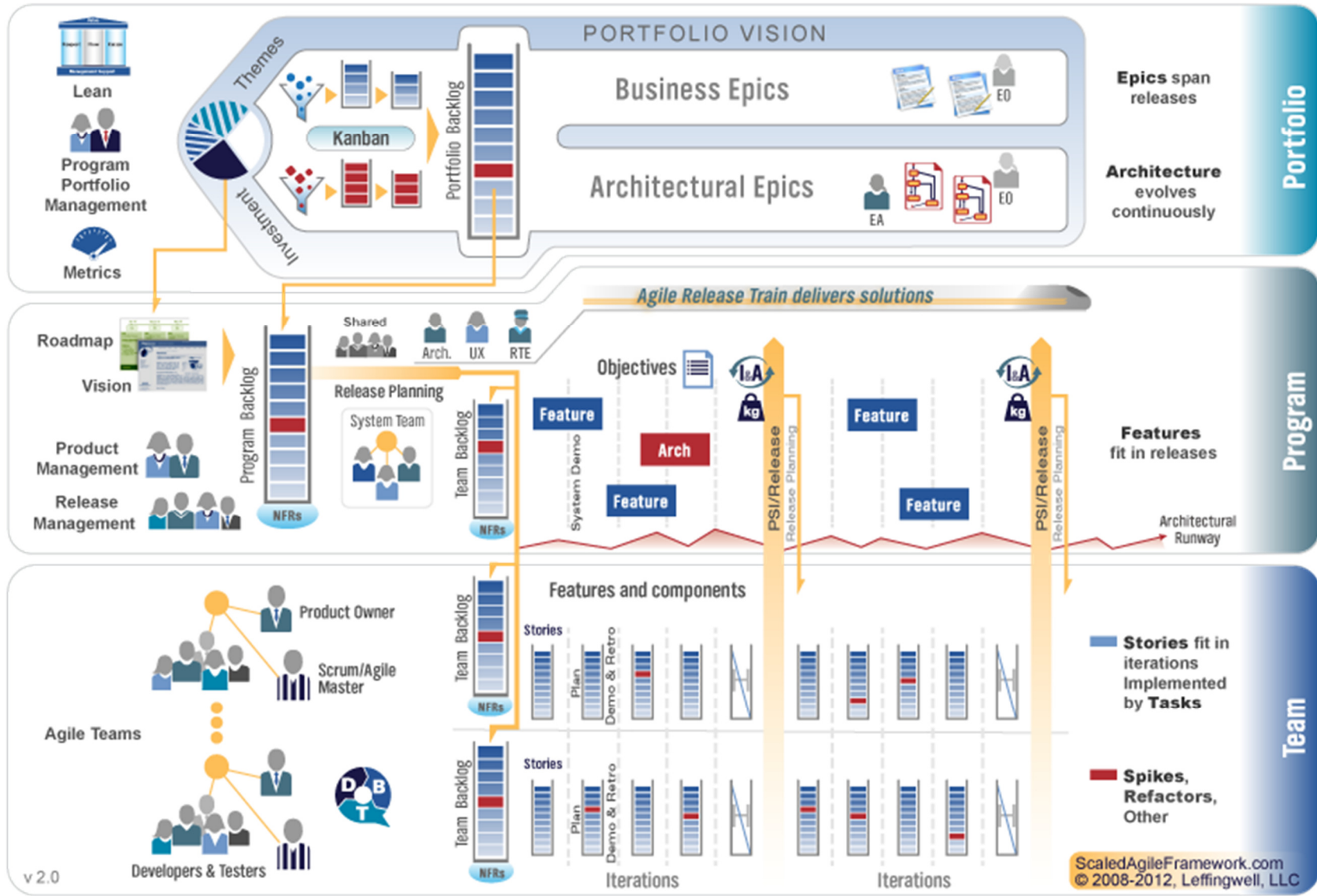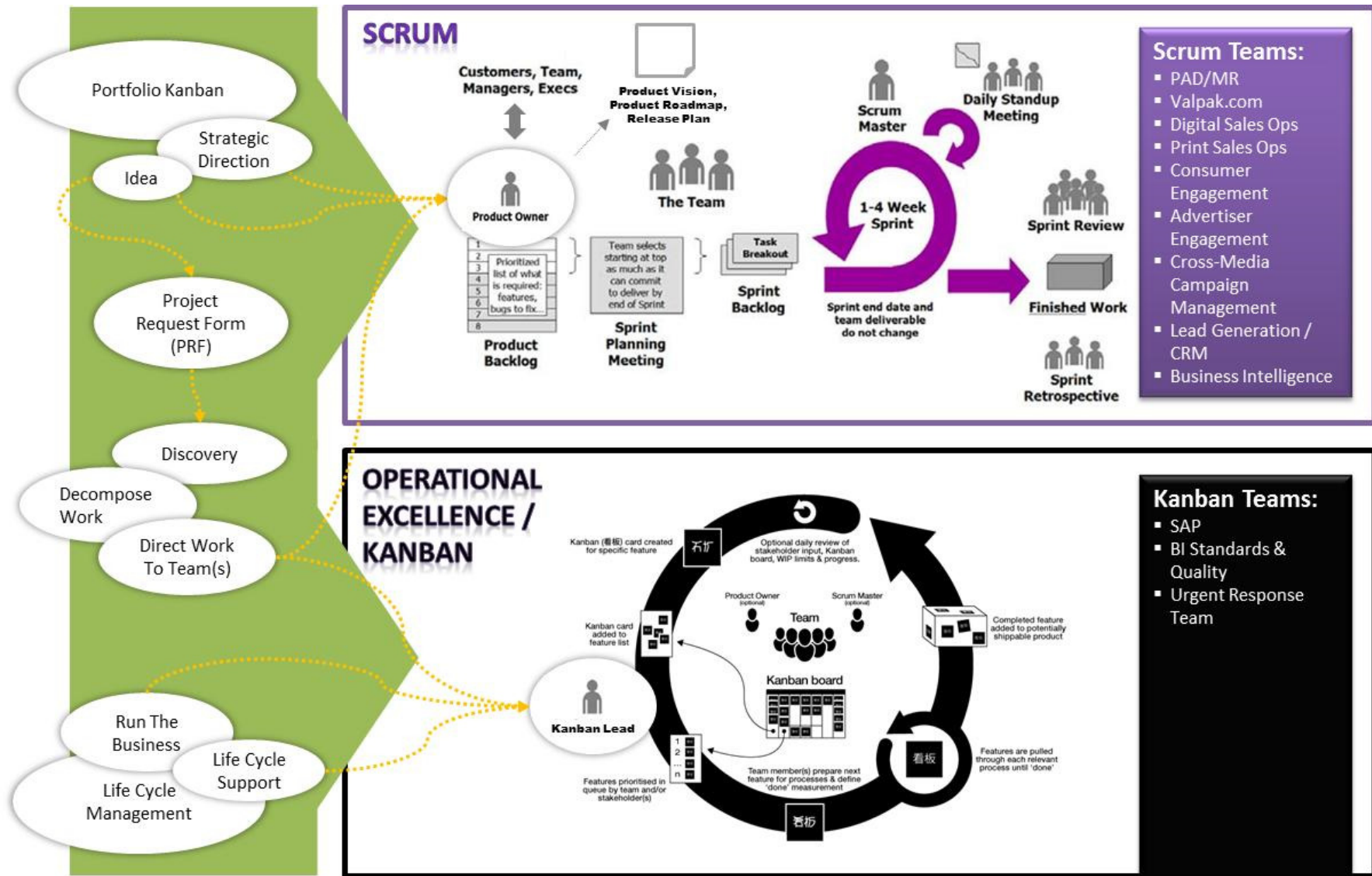
Figure 1 – Scaled Agile Framework

Figure 2 – Valpak Agile Process Overview

Overall Summary

Key Success Factors

1. **Top-down Support coupled with Bottom-up Drive**

   Taking the Agile Transformation seriously and supporting it at all levels of the business was essential to make the culture shift to the Agile mindset.

   > "Rather than continue to dabble with Agile, we went full-fledged, full-bore Agile (all software development teams all at once). Once our CIO declared that we were going Agile there was no looking back. He gained the support of our executive leadership team and they helped us to sell it to our stakeholders including our franchise network. At first, there were some hold outs (the resistance) but with each and every sprint we have managed to convert a few more into believers. Whenever someone says 'Agile is not working for us'; I like to respond with 'No, we are not working for Agile'."[3]

2. **Hire an Independent Coach**

   Attempting to DIY (Do It Yourself) Agile can sometimes backfire. You need to spend the money on bringing on an Agile Coach for about 6-months to train the teams and support the process. Companies often tend to appreciate the advice of an independent expert more than a trusted member of the company's own staff.

3. **Continued Support Each and Every Day**

   Where Agile has failed with other companies it seems that it was done with a big one-time kick-off without continued support.

   > "I think I read once that a culture change takes 10 years, so …We continue to support Agile each and every day. That's my primary role as Director of Agile Leadership, but I am well-supported by IT Directors, Product Owners, Agile Project Leaders, and even team members that have become great evangelists in their own right. The more you talk about it, the more they talk about it. Ways in which we continue to support Agile here are things like:
   >
   > - Agile Excellence meetings every other month (the retro of all retro's, so to speak)
   > - Scrum Powwow each week (cross-team current sprint, future sprint, and roadmap discussions)
   > - Team Building (with Xbox Kinect Tournaments for Agile teams to compete against one another)
   > - Celebrations (we did an Agile Roast for our 1st Anniversary this month and we have cake a lot for important sprint/release milestones)
   > - Agile Tours given to special groups of stakeholders or VIPs on request.
   > - Facility sponsor for Tampa Bay Agile Meet-ups along with helping to secure speakers and topics.

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[3] Stewart, Stephanie, email comments

> - Agile Manifesto and other Agile-related posters highly visible throughout the IT work space.
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> It's fun to hear people dropping the "A" bomb (that is mentioning Agile) at large scale events like our annual Coupon U with our franchises or corporate all-hands meetings. Agile is really a rock star around here!"[4]

4. Senior Management Engagement/Business Ownership

Getting Valpak's senior management engaged and committed to the effort was a significant factor in the success of the effort.

> "Valpak has fundamentally changed the way we get work done. This is not just a new process that only involves technology teams but more of a mindset across all groups that put an emphasis on driving real business value to our customers in short iterative cycles."
>
> "Business is deeply engaged with their products and services that they are asking IT to build"
>
> - "Business (Exec Sponsor and Product Owner) control the backlog and work output - They own it!
> - They now have complete ownership and accountability — No place to hide
> - They are actively engaged in managing priority discussions with their customers to identify the highest valuable feature that the team should work on
> - The business is getting more work done across all teams
> - None of our business owners would ever go back to the older waterfall process"[5]

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[4] Stewart, Stephanie, email comments
[5] Cate, Chris (Cox Target Media CIO), email comments 11/12/2012

Results and Conclusions

1. More Strategic Management Focus

The Agile development process using empowered, self-organizing teams has enabled a major shift in the Valpak management approach:

> "Conversations are fundamentally changing at the Sr. executive team level focusing less on tactical implementation issues and more on strategic growth initiatives"
>
> - Do these things less

> - No longer have to justify and/or explain extremely large project plans (the Executive Sponsor and Product Owner decide the sprint schedules and backlog priorities and own it)
> - No longer have to talk about why IT missed a date or did not set expectations correctly between project team and Executive Sponsor (ES and PO own the priorities and expectations)
> - Rarely have to play the "peacemaker" role between various groups now that the business firmly owns the work product

> - Started doing more of

> - Strategic planning and execution to grow the business
> - More involved in business development, partnership and acquisition executions
> - Partnering with other Sr. team members to help them think through growing their business lines versus fixing IT"[6]

2. Management of IT Resources

The shift to more empowered, self-organizing teams has also made the management of IT resources much easier:

> - "Less time needed to manage personnel issues since the process helps to correct this naturally
> - Teams are empowered to solve their own problems through collaboration, thus reducing functional manager activities
> - Much more open and transparent environment where the employees, or contractors, not fully contributing are identified and coached up or out quicker"[7]

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[6] Cate, Chris (Valpak CIO), email comments 11/12/2012
[7] Cate, Chris (Valpak CIO), email comments 11/12/2012

3. **Time-to-Market**

   Valpak releases software to production at the end of every sprint. Time-to-market was significantly improved as a result of shorter iterations. With 2-week sprint cycles, new/enhanced software was available more quickly than ever before to stakeholders including internal, franchises, merchants, and consumers.

4. **Alignment and Collaboration**

   Alignment and collaboration between business and IT was increased as a result of a highly visible process. Product Owners became truly accountable for their products and teams and the "us-versus-them" mentality quickly disappeared.

5. **Employee Productivity and Morale**

   Productivity and morale among the teams improved as a result of the empowered and self-organizing team's principle of Agile. In fact, team morale and pride is greater than it's ever been at Valpak.

6. **Delivering More Frequent Value to Customers**

   A value-driven process is now in place. Decisions are made on what to work on based on value – that value is derived from stakeholder' input. With 2-week sprint cycles, teams deliver the highest value stories each sprint. Value is being delivered to stakeholders more frequently than ever before.

7. **Openness and Transparency**

   - Teams, at the Portfolio-level and Architecture-level too, all use highly visible task boards to track progress – anyone on the team or in the company can easily see a visual status of what stage of work each story / task is in at any time.

   - Everybody knows what they're going to be working on for the next two weeks; all the teams have visibility into what the other teams are doing.

8. **Responsiveness and Adaptivity**

   - Changes can be implemented more quickly than ever before.

   - Easier to change strategy and pivot. This makes experimentation and risk taking much more feasible. Being able to try out new ideas and turn on a dime is critical, not only for startups, but for larger companies as well that do not want to become obsolete

9. **Software Quality**

   - Increased emphasis on Test Driven Development (TDD), unit testing, and clean code

   - Continuous integration allows recognizing the impact of a change quickly