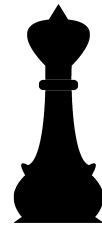## Participatory Budgeting: What Do You Do with Scarce Resources?

HIGHLIGHTS

- **Looking for a fun and engaging way to prioritize budget items?** Luke showcased his "Participatory Budgeting" game.

- **Want to know what people are really looking with budgeting?** Luke offered insights into 4 possibilities.

- **Interested in familiarizing yourself with traditional budgeting practices as a comparator to participatory budgeting?** Luke shared his idea of 3 traditional techniques.

SPEAKERS

Luke Hohmann (Scaled Agile) & Kelly Schott (TheCR)

COMPETENCIES

Strategy

MATURITY PHASES

CMM2, CMM3, CMM4

THECR NETWORK

OVERVIEW

- **Community funding.** Kelly prefaced the discussion with a reminder that one of the key findings in the SOCM 2018 was that community teams were underfunded. With that in mind, participants shared whether their communities had a dedicated budget. For one participant, her budget is hobbled together by various charge numbers. Even her time and expenses are charged to 4 different charge numbers. Three participants do have a dedicated budget.Two other participants don't have a dedicated budget.The rest of the participants didn't really understand all the ins and outs of their budget.

- **Background – Luke Hohmann.** Luke is a principal consultant at Scaled Aglie. Luke was the CEO of Conteneo, the creators of the Conteneo Weave Platform. He is also the Managing Director of a non-profit he founded called "Every Voice Engaged Foundation", which is solely devoted to increasing civic engagement. The foundation promotes techniques that scale for civil discourse. Luke is a former board member of the Agile Alliance. Within Agile is a large-scale development technique called SAFe. Luke is a SAFe Framework contributor. Luke is a big believer in community.
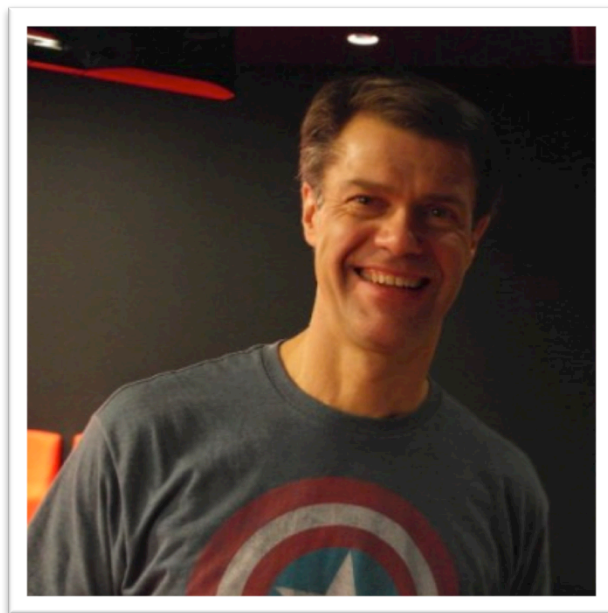
BEST PRACTICES

Familiarize yourself with the concept of participatory budgeting.

This is a technique that was invented about 20 years ago in South America as a response to political dictatorships and citizens of the country realizing that their leaders were stealing from them.

It's a mechanism used to bring transparency and voice into budgeting. Luke doesn't want to claim invention of this technique, but he did independently develop this technique for use in market research. He then applied it to portfolios in other examples.

Participatory budgeting prioritizes 12-20 items. The number is important. To use a larger number is defeatist. The human brain cannot prioritize a list of 60 items, which is often what people are asked to do. Participatory budgeting consciously limits the number to one that can be easily managed.

BEST PRACTICES

Understand traditional budgeting approaches.

Budgeting is a form of prioritization:

- *Product owner.* Under this traditional approach, the product owner controls the backlog, the priorities and is the so-called "expert." This is rare, but it does exist. The problem with this approach is that so much faith is put into one expert. Can the organization really afford to trust the opinion of just one person, expert or otherwise?

- *Small team of negotiators.* This usually has a product owner who brings in additional leaders to negotiate the budget. They think they are collaborating, but really they aren't because the expert's instincts are questioned. This is the notion of data-driven decisions. However, not every company will have the resources to A/B test everything. So, sometimes you don't have the ability to data drive every decision through some kind of magical A/B data queue that the lean start up community promotes. Luke is not against it, but sometimes it just doesn't work. The test itself is expensive. Furthermore, small groups that represent other organizations slow down the budget process because people try to get feedback, but they can't do it efficiently.

Voice of the Customer (VoC). What's missing in both of these traditional processes is the VoC. Customer in this instance refers to someone outside of the organization. As an internal community manager with the company as the customer, Luke would like to replace the word "customer" with the word "stakeholder." Luke believes that there should be a distinction between the customer – the person who pays the company money – and stakeholder as the person being served. One participant disagreed. She believed that the user perspective should be kept top of mind. Luke explained that he is simply distinguishing stakeholder from customer in terms of the customer paying money.

BEST PRACTICES

Recognize what people want.

Luke listed what he thinks people want from budgeting.

1. *A method with lots of people actively engaged.* This includes customers, partners and employees who don't just participate in a survey, but actively converse. Luke is not a fan of surveys. A survey works when it's an opinion about a non-shared resource. For example, if you're a runner and Nike sends you a survey about *your* running habits. Where it would not work is with a married couple. Now the non-shared resource becomes a shared resource. When resources are shared, the opinions of other people matter to the other participants and vice versa. This is critical. What's different about surveys vs. this kind of work is that it really does matter when the resources are shared with the opinions of others. Luke doesn't mean to infer that that would be negative. He means it in a practical way. The actions in an environment can't be shared if you don't engage people in that discussion. Furthermore, the environment needs to be constructive. Not all stress is bad.

2. *A method that produces actual results.* At the same time, we can't just engage people. We have to have a technique that produces actual results. The results are a list of priorities that have been rationalized. In the conversation process, a mechanism is needed to allow for the improvement of ideas because there may be legitimate reasons as to why someone can't support a project.

3. *A method that improves the features.* You want a method that results in alignment that is also something that will improve the features themselves.

4. *A method that customers will enjoy.* It would be great to be able to collaborate in an engaging and enjoyable way. Luke believes that participatory budgeting answers that question. It is a process that helps to prioritize against scarce resources. This is based on the work that he published in his book *Innovation Games.* It's based on one of the 12 collaboration techniques pioneered in this book.

BEST PRACTICES

Try a participatory budgeting "game."

In this "game", 5-8 players are given a limited budget with an equal portion of the budget, i.e. an $8000 budget with 8 people would give each person $1000. This way, a competitive situation becomes collaborative. If there is an item that costs $2000, there needs to be at least 2 people who collaboratively choose that as their most important item. By looking at who collaborates with whom and which items are the most important, insights are created that would not be obtained otherwise. Additionally, consensus has been built. Instead of fighting over the budget, people collaborate over the budget.

[Read more from Luke on budgeting games here.](#)

LESSONS LEARNED

Participants were given the opportunity to partake in the participatory budgeting game. The scenario was a community manager working for a mid-sized company of about 1000 employees. The community enjoyed about 450,000 members with a budget of $27,000. The community manager is tasked with a list of improvements, but that list is expensive at $42,000. The object is to prioritize what should be funded.

Each call participant joined the Weave platform and was given an equal portion of the budget. Weave automatically grouped people based on pre-determined rules set up by Luke, i.e. first come first serve forum slotting. As soon as this forum is filled up, another forum will automatically be generated by the platform to manage the process. In this exercise, each forum was limited to 6 people based on the call numbers. That is an important feature of Weave. Human communication can scale without boundaries. That's a broadcast model.

[Learn more about the Weave Platform](#)

LESSONS LEARNED

When collaborating, the platform preserves human collaboration structures by limiting collaboration to 8 people in a forum. It's not formally limited, but strongly recommended that that size is maintained.

The Weave platform gave a list of budget items. For this exercise, the budget line items were:

- Information Architecture
- Offline Events
- Gamification
- New Member Resources
- Updated UX
- Updated Event Communications
- Content Tagging and Taxonomy
- Update Member Profiles
- "How-to" Feature Guides.

Participants explained why they felt a certain line item was important not just to them, but to the stakeholders and constituents. This is the foundation of participatory budgeting. Look for the patterns in order to make the best choices for collaboration. A budget line item has to be fully funded in order to be considered important enough to be funded in reality. The exercise is given a pre-determined time limit.

- The Weave platform will let you associate a pool of facilitators with a pool of participants. It will automatically stitch up facilitators and participants on your behalf.

- A whisper function is also available on the facilitator's screen. Whispers are part of the research record. They are used in the post-processing and the analytics.

Results. Across both forums, the items that were fully funded in this exercise were New Member Resources and Updated UX. As a community manager, these would be the items to action. This exercise has yielded powerful insights. It is not that any of the other items are bad ideas. Simply, compared to other items in a collaborative forum that allows people to discuss the line items, they just weren't as important.

THECR NETWORK

LESSONS LEARNED

When people are playing a collaborative game – such as what the Weave platform offers – people are more authentic to their true selves.

Luke believes that with surveys, people are not always authentic to their true self. But when you're playing a game about prioritization of resources, you become deeply embedded and want to participate in a way that you just wouldn't get on a survey. Hillary asked if the entire group had access to the whispers or if it was only the administrators. Luke replied that their terminology is "producer."

The producer is the only person – or those that the producer gives access to – who see the whispers. If you are working in a very sensitive environment, the Weave platform has a tremendously large number of fine-grain security controls, including the ability to provide anonymous participation. If you configure the forum to be anonymous, it really is anonymous.

Luke recommends running a minimum of 5 forums to clearly identify actionable patterns.

That's based on research by Abby Griffith out of the University of Illinois. We know that quantitative research is statistically significant. So, she asked a different question. Rather than arguing for statistical significance, she questioned the validity of 75-80% accuracy, i.e. the number of people you would need to talk to in a qualitative way to get "roughly correct" as opposed to "statistically correct." She found that that number to be 31 people. If you can get 31 people talking, you can get roughly 75% accuracy. For many of the decisions made for software development, especially with Agile software development, 75% accuracy is sufficient.

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LESSONS LEARNED

This exercise is used on real companies.

Luke gave a few examples:

- Daimler Financial Services brought together their top 140 leaders from countries around the world to reprioritize a $181 million Euro IT budget using this technique.

- British Petroleum used the Weave platform to prioritize a $2 billion CapEx pipeline for their North American pipeline business.

- In Europe, PayU is a payment processor similar to PayPal. They used this technique to prioritize their $55 million project portfolio.

- San Jose used this technique in 2011 to help them dig out of their $100 million dollar debt. They engaged citizens to make these tough choices. This involved prioritizing the services of Park Rangers over Police over the fire engine over code enforcement and long-range planning. These are tough choices. By using this data and engaging community leaders in San Jose, they were able to get insights that helped shape the budget.

- These techniques have been tested with the Karlsruhe Institute of Technology in Germany. The research demonstrated that people were more engaged. They felt that they had a better voice and the process was enjoyable.

THECR NETWORK

LESSONS LEARNED

One member struggled with how to use this in her environment.

- Luke explained that, first of all, the framework is specifically tuned for the act of collaborative prioritization on shared resources. If that's not your question, this framework shouldn't be used because it won't yield the right result. That's why Luke wrote his book, which focuses on 12 techniques, not one technique.

- Secondly, Luke views this as primarily an insight function, i.e. market insight, stakeholder insight, customer insight, community insight. Any insight function is also associated with market research from the perspective of who you ask and how you structure it.

One participant found that in the exercise, she was very reactive to what was happening in the spreadsheet. She wondered how it would be possible to get an equitable voice in that case. Luke did not have a clean answer. It is part of their research agenda.

- For example, when he works in other countries, there are regional differences. Asian countries don't like the idea of their individual budget. They prefer is to have a pooled budget.

- Secondly, Luke lets people know that if there is an item that has been purchased and someone would like to include their support of that item, they can do so in the chat.

- Thirdly, if you want to indicate to the group that you also get behind a budget line item, then you should whisper or tell the other people that you funded this, take some money out so he/she can put some money in to show a record of more than one person funding the item. That allows for a greater voice in the forum. Keep in mind, as in any game, the first time through you are not really playing. You are learning how to play.

Luke recommends to anyone adopting this technique to do a bad one fast and a good one slow. The bad one fast is where you can introduce more sophisticated and more subtle ways of getting at the right result for the group. Don't look for "the" tool. Weave isn't a tool. It's a set of engines that support multiple frameworks.

Participatory budgeting allocates a shared resource. That could be money or hours or whatever. One of Luke's clients is a non-profit dog shelter. They use the platform to manage the number of hours needed from their members to accomplish projects.

ROUNDTABLE REPORT

RESOURCES

- As shared in the chat: https://weave.conteneo.co/game/join?id=284-044-886

- As shared in the chat: https://weave.conteneo.co/game/join?id=284-878-097As shared in the chat: https://www.amazon.com/Innovation-Games-Creating-Breakthrough-Collaborative/dp/0321437292/ref=sr_1_1?ie=UTF8&qid=1547665264&sr=8-1&keywords=innovation+games