

# Driving Lean Economics with the Scaled Agile Framework

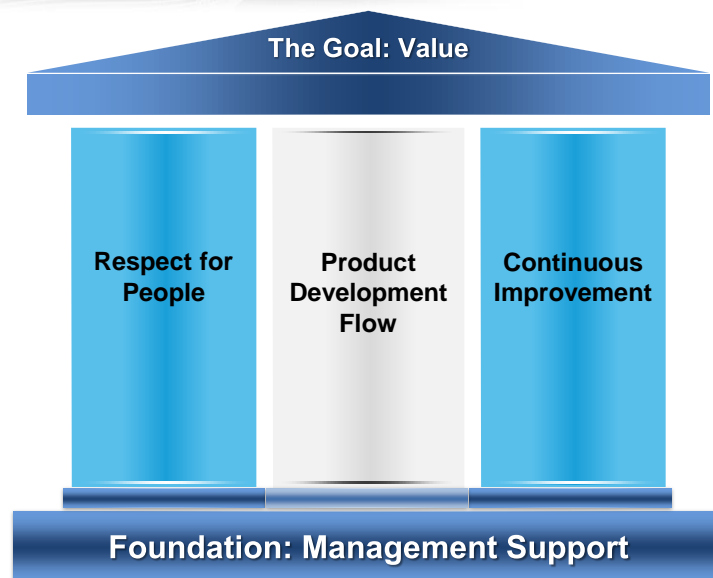
House of Lean &  
Product Development Flow

August 2012



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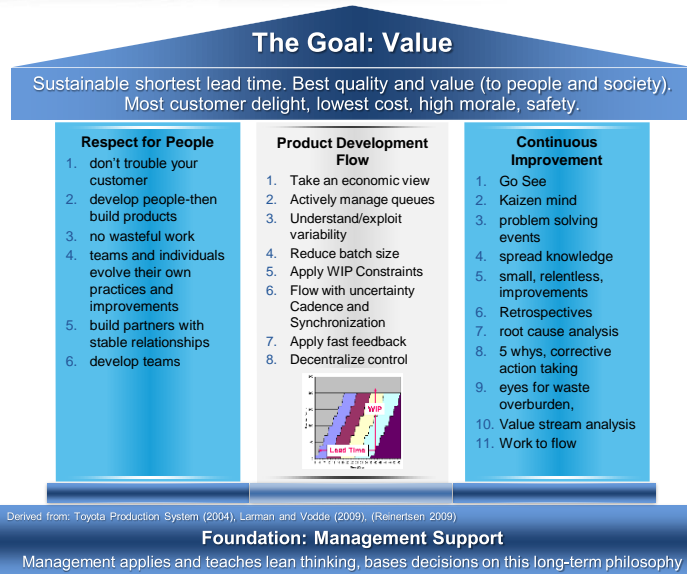
## Lean Perspectives: House of Lean



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## Lean Perspectives: House of Lean



## Lean Goal: Speed, Value, Quality



- ▶ *All we are doing is looking at the timeline, from the moment the customer gives us an order to the point where we collect the cash. And we are reducing the time line by reducing the non-value added wastes.*

– Taiichi Ohno

- ▶ *We need to figure out a way to deliver software so fast that our customers don't have time to change their minds.*

– Poppendieck

- ▶ *Focus on the baton, not the runners.*

– Larman and Vodde

- ▶ Minimize delays, handoffs and non-value added activities

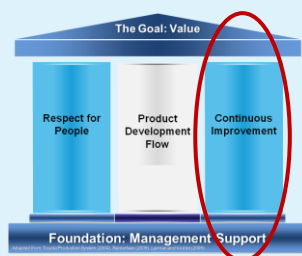
## Lean Pillar 1: Respect for People



### Summary

- ▶ Develop Teams, then build products
  - ▶ Empower Teams to continuously improve
  - ▶ Build Partnerships
- ▶ Your customer is whoever consumes your work
  - ▶ Don't trouble your customers
  - ▶ Don't force people to do wasteful work
  - ▶ Don't overload them
  - ▶ Don't make them wait
  - ▶ Don't impose wishful thinking
  - ▶ Equip them with problem-solving tools
  - ▶ Form long-term relationships based on trust

## Lean Pillar 2: Continuous Improvement



### Become relentless in:

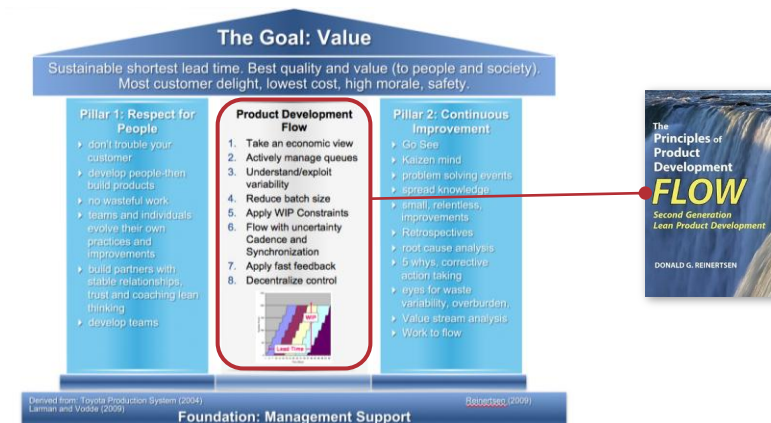
- ▶ Reflection (hansei)
  - ▶ Continuous improvement (kaizen)
- ▶ Consider all data then implement rapidly
  - ▶ Protect the org knowledge base by developing stable personnel and careful succession systems
  - ▶ Reflect at key milestones to identify and improve shortcomings
  - ▶ Use tools like retrospectives, root cause analysis, and value stream mapping

## Lean Foundation: Management Support



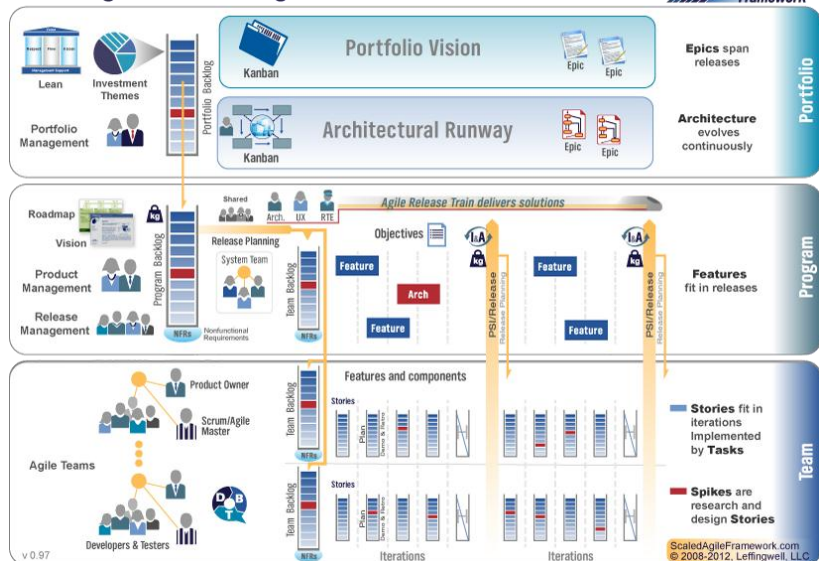
- ▶ Be Lean-Thinking Manager-Teachers!
- ▶ Management is trained in lean thinking - bases decisions on this long term philosophy
- ▶ Management is trained in the practices and tools of continuous improvement
- ▶ Management leads, coaches and drive teams to continuously improve

## Principles of Product Development Flow



## SAFe Implements Lean Principles Throughout

### Scaled Agile Framework™ Big Picture



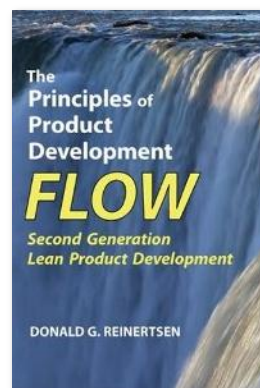
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## Principles of Product Development Flow

1. Take an economic view
2. Actively manage queues
3. Understand and exploit variability
4. Reduce batch sizes
5. Apply WIP constraints
6. Control flow under uncertainty: cadence and synchronization
7. Get feedback as fast as possible
8. Decentralize control



Reinertsen, Don. *Principles of Product Development Flow*, 2009.

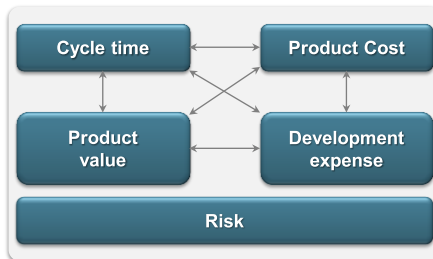
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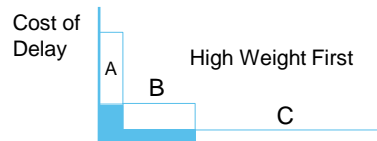
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## #1 – Take an Economic View

Establish the economic framework for decision making



- ▶ Empower *local* decision making
- ▶ Do not consider money already spent
- ▶ Understand the full value chain
- ▶ Sequence high payoff, low cost activities first
- ▶ If you only quantify one thing, quantify the cost of delay



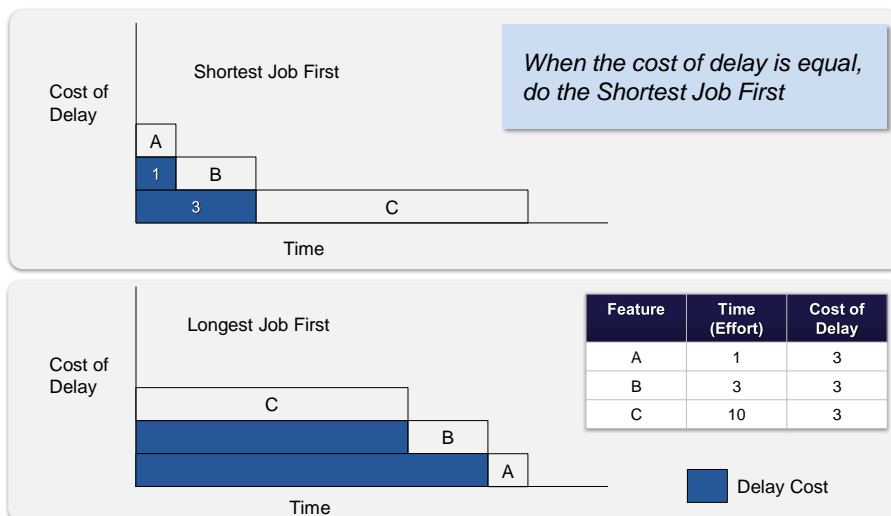
Reinertsen, *Principles of Product Development Flow*, 2009.



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## Prioritization: Shortest Job First



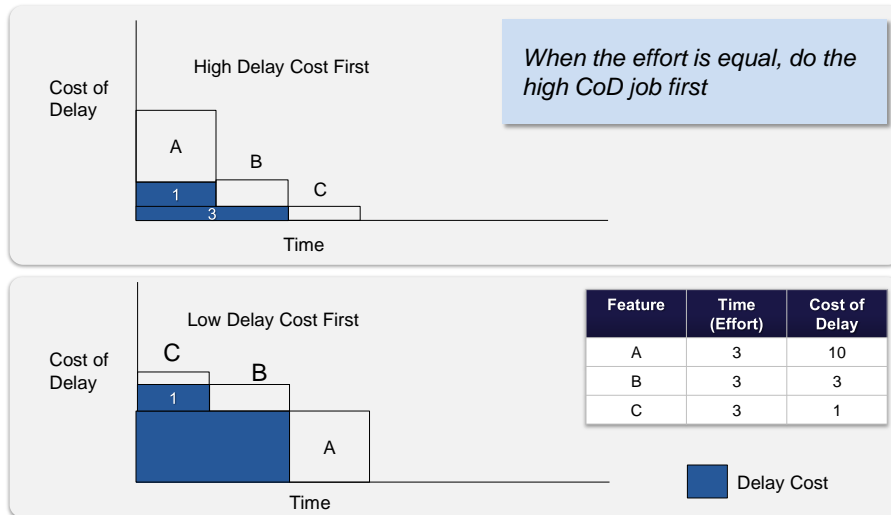
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## Prioritization: High Delay Cost First



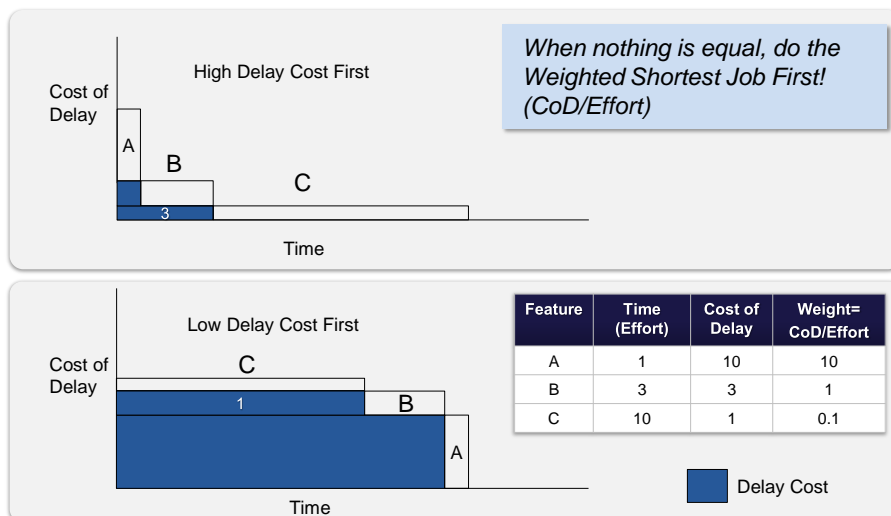
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## CoD Economics: Weighted Shortest Job First



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## WSJF Prioritization Matrix

In general, do the Weighted Shortest Job First!  
(Cost of Delay/Size)

$$\text{WSJF} = \frac{\text{User value} + \text{Time Value} + \text{RR|OE Value}}{\text{Job Size}}$$

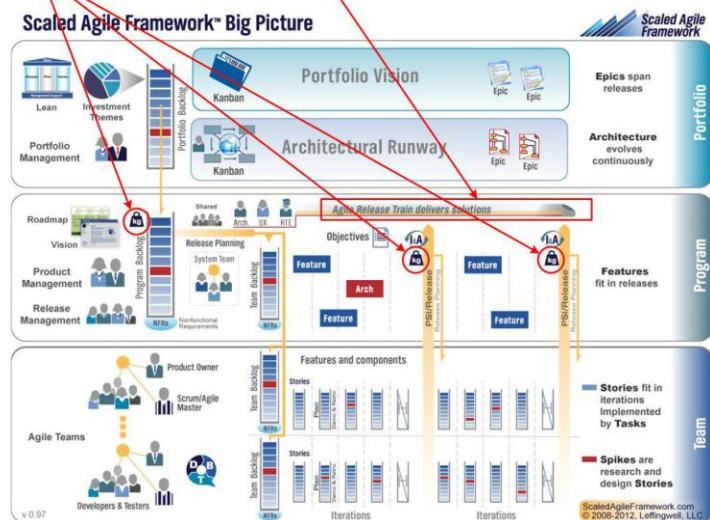
Feature	User Value	Time Value	RR OE Value	Job Size	WSJF

Scale for each parameter: 1, 2, 3, 5, 8, 13, 20  
Highest WSJF = highest priority

## #1 – Take an Economic View

Weighted Shortest Job First (WSJF)  
(cost of delay / size)

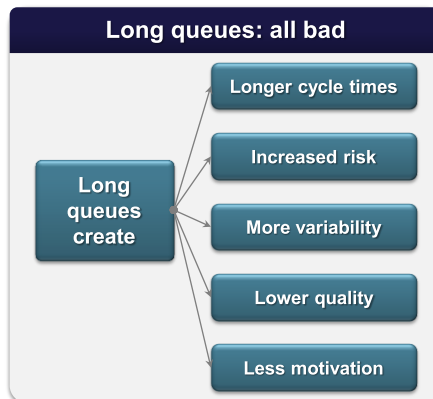
Focus on delivered value





## #2 – Actively Manage Queues

Email from a client service organization: "Thank you for contacting us. We are experiencing increased volumes and apologize in advance for the delay. Our goal is to contact you within....."



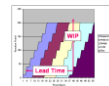
Reinertsen, Principles of Product Development Flow, 2009.

- ▶ Understand Little's Law

$$W_q = \frac{L_q}{\lambda}$$

Wait time = Queue length/Processing rate

- ▶ Control queue sizes to control wait times
- ▶ Operating at high levels of utilization increases variability
- ▶ Measure cycle time and queue length with cumulative flow diagrams

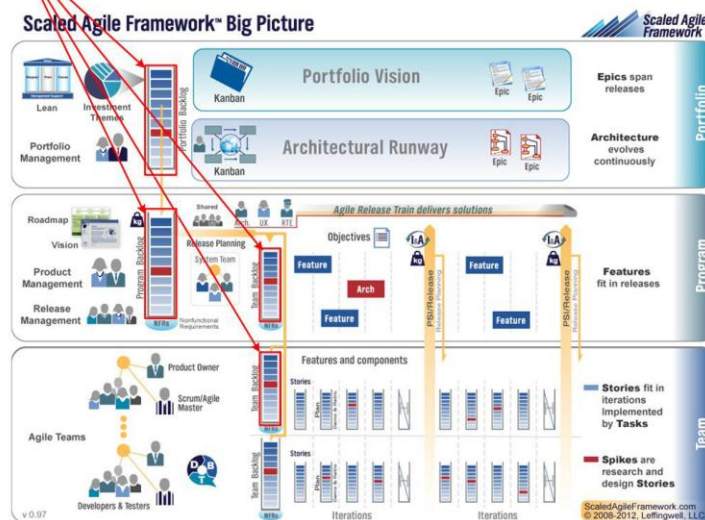


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## #2 – Actively Manage Queues

Short queues are good based on Little's law



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### #3 – Understand and Exploit Variability

Risk-taking is central to value creation in product development

#### Option theory: Why we can afford to take risks



The expected payoff occurs because the left side has less area than the right side

Reinertsen, Principles of Product Development Flow, 2009.

- ▶ We cannot add value without adding variability
- ▶ Development variability can *increase economic value*
- ▶ Buffers trade money and time for variability reduction
  - ▶ Schedule buffers convert uncertain earliness to certain lateness
- ▶ Managing variability
  - ▶ Planning is exponentially easier in short-term horizons
  - ▶ Requirements are exponentially more difficult over long horizons



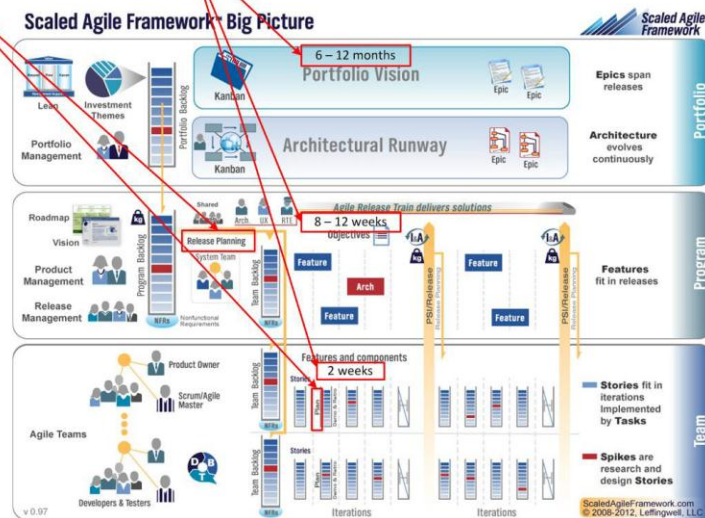
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### #3 – Understand and Exploit Variability

Optimal utilization (80-90%) exploits variability

Short planning horizons



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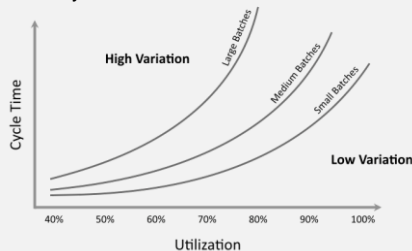
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## #4 – Reduce Batch Size

Small batches go through the system faster, with lower variability

### Principles

- ▶ Large batch sizes increase variability
- ▶ High utilization increases variability
- ▶ Severe project slippage is the most likely result



Slippage in projects rises exponentially with duration

Fig. Source: [Poppendieck and Poppendieck 2007].

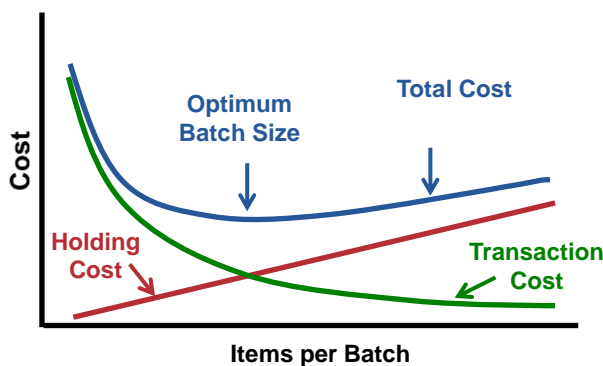
### Cause and effect

- ▶ Reducing batch size
  - ▶ Reduces cycle time; faster feedback
  - ▶ Decreases variability and risk
- ▶ Most important batch is the transport (handoff) batch
- ▶ Proximity (co-location) enables small batch sizes
- ▶ Good infrastructure enables small batches (build and test automation, continuous integration, etc)
- ▶ Loose architectural coupling enables small batches

Reinertsen, Principles of Product Development Flow, 2009.

## Finding Economic Batch Size

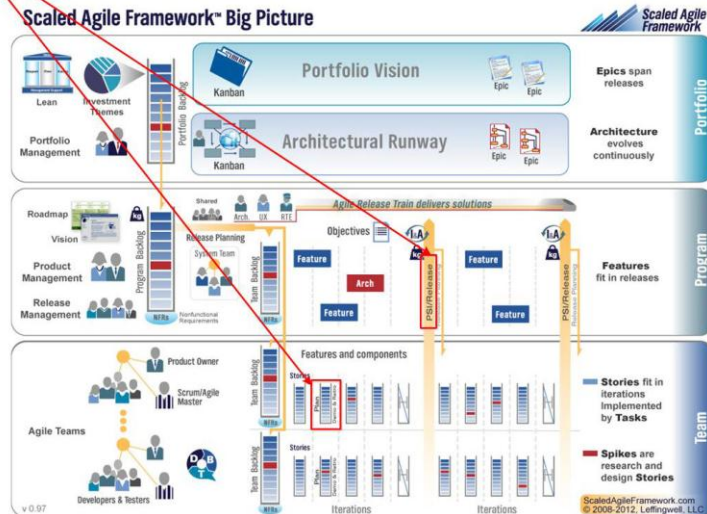
Optimum batch size is an example of a “U-Curve optimization”



- ▶ Higher transaction costs shift optimum batch size higher
- ▶ Higher holding costs shift it lower
- ▶ Batch size reduction probably saves 2X what you think!

## #4 – Reduce Batch Sizes

Small batch sizes balance holding costs vs. transaction costs



## #5 – Apply WIP Constraints

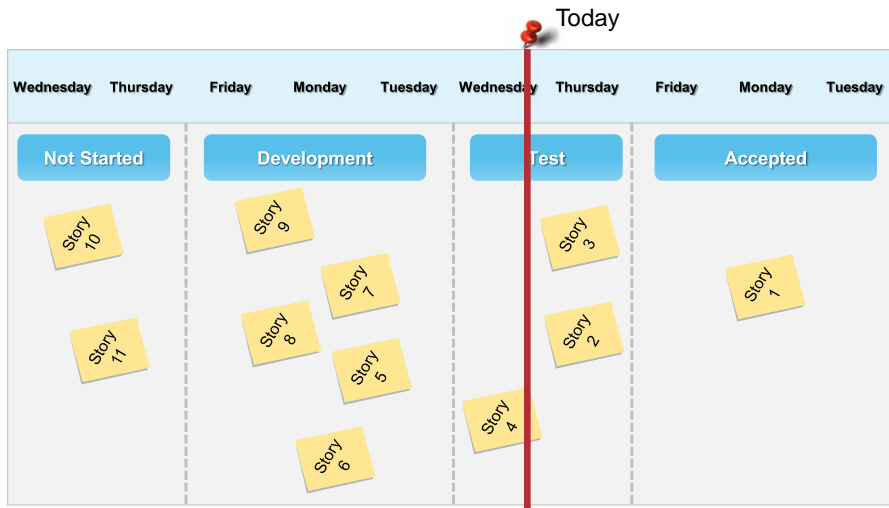
WIP Constraints force capacity matching and increase flow

Principles	Economic Benefits
Apply WIP constraints	Force capacity matching Accelerate delivery
Timebox	Prevent uncontrolled expansion of work Make waiting times predictable
Purge lower value projects when WIP is too high	Increase efficiency and throughput of remaining work
Constrain local WIP pools	Constrains global WIP pools
Make WIP continuously visible	1) Understand 2) take action

*It is far easier to start a project than it is to finish one.*

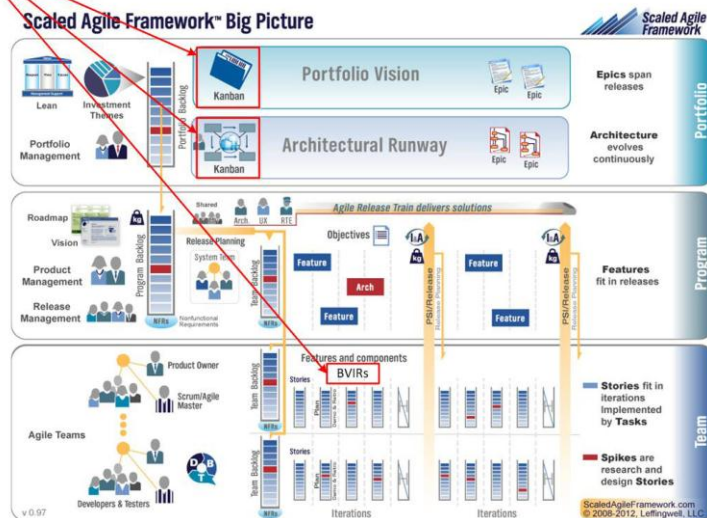
Reinertsen, Principles of Product Development Flow, 2009.

## WIP Constraints with Kanban



## #5 – Apply WIP Constraints

Constrain WIP and make it visible (Kanban – pull system)



## #6 – Control Flow Under Uncertainty

### Cadence

- ▶ Transforms unpredictable events into predictable events
- ▶ Requires scope or capacity margin
- ▶ Makes waiting times predictable
  - If you can't predict delivery, existing programs become "feature magnets"
- ▶ Manages load: When load and utilization become too high, you will see a sudden and catastrophic reduction in throughput!

### Synchronization

- ▶ Synchronization causes multiple events to happen at the same time
- ▶ Scheduled, periodic resynchronization limits variance to a single time interval
- ▶ Regular, system wide integration provides higher fidelity tests and objective assessment
- ▶ Synch events facilitate cross functional tradeoffs of resources, scope

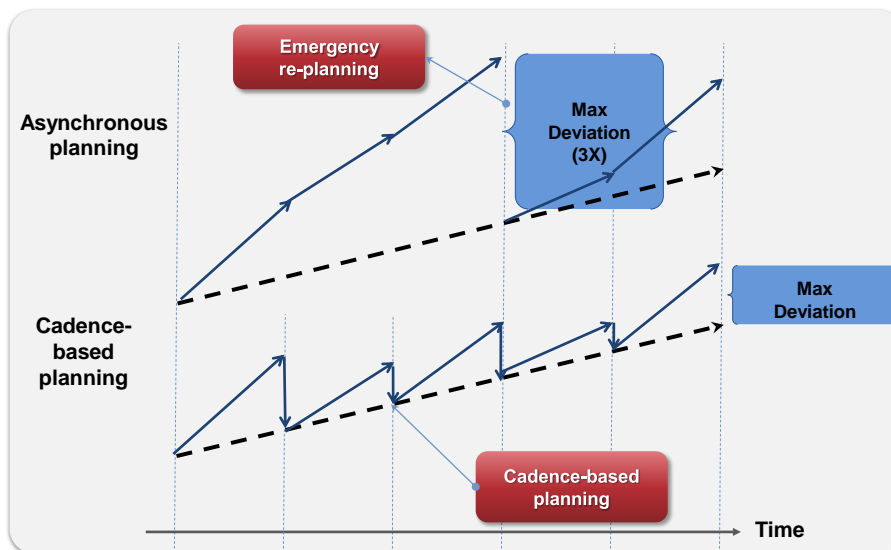
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## Control Variance with Planning Cadence



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## Planning for Alignment

Principle: There is more value created with overall alignment than with local excellence

- ▶ Planning is done to create alignment, NOT to measure conformance
  - Align mass - concentrate force in one area
  - Economy of force – allocate minimum resources to other areas
- ▶ Principle of Mission: Specify the end state, its purpose, and minimum possible constraints
- ▶ Principle of Opportunism: Exploit unexpected opportunities by increasing deviation from plan when it makes economic sense

Reinertsen, Principles of Product Development Flow, 2009.



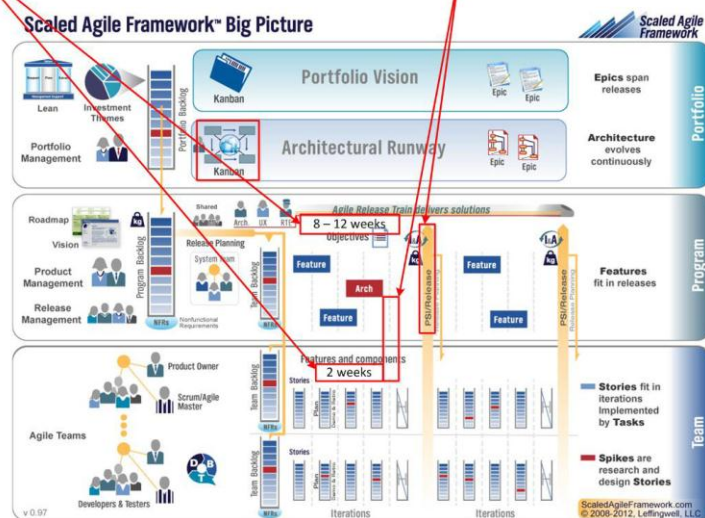
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## #6 – Control Flow Under Uncertainty

Make wait time predictable (cadence)

Limit variance to a single time interval (synchronization)



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## #7 – Get Feedback As Fast As Possible

Fast feedback manages risk and facilitates innovation

- ▶ Truncates unsuccessful paths quickly, reducing the cost of failure in risk taking
- ▶ Improves the efficiency of learning by reducing the time between cause and effect
- ▶ Facilitated by small batch sizes
- ▶ Requires increased investment in development environment to extract smaller signals
- ▶ Local feedback loops are inherently faster than global feedback loops; assists decision making

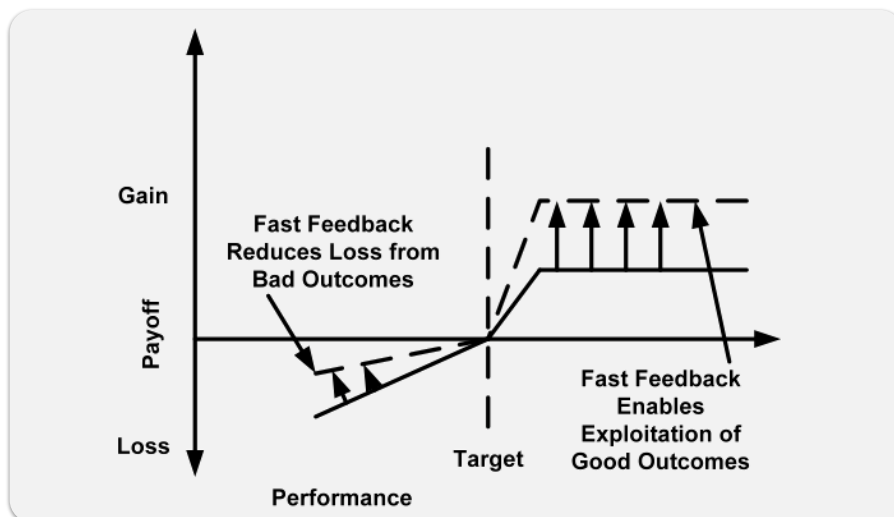
*Reinertsen, Principles of Product Development Flow, 2009.*



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## Fast Feedback Optimizes Payoff



*Reinertsen, Principles of Product Development Flow, 2009.*

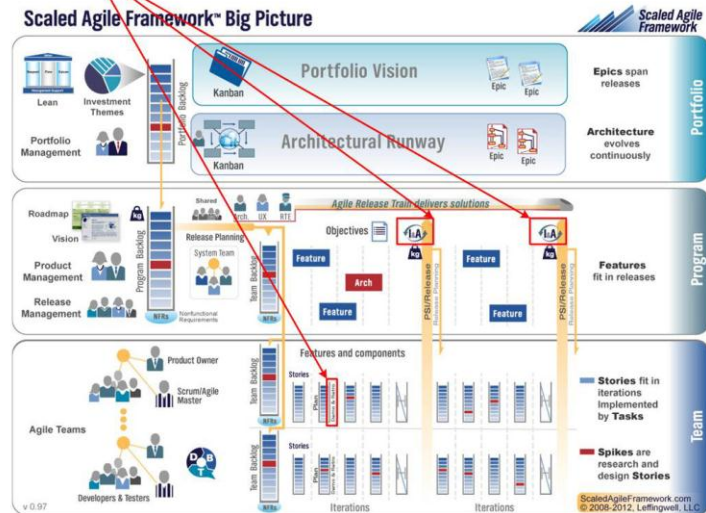


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## #7 – Get Feedback As Fast As Possible

Truncate unsuccessful paths quickly & improve efficiency of learning



## #8 – Decentralize Control

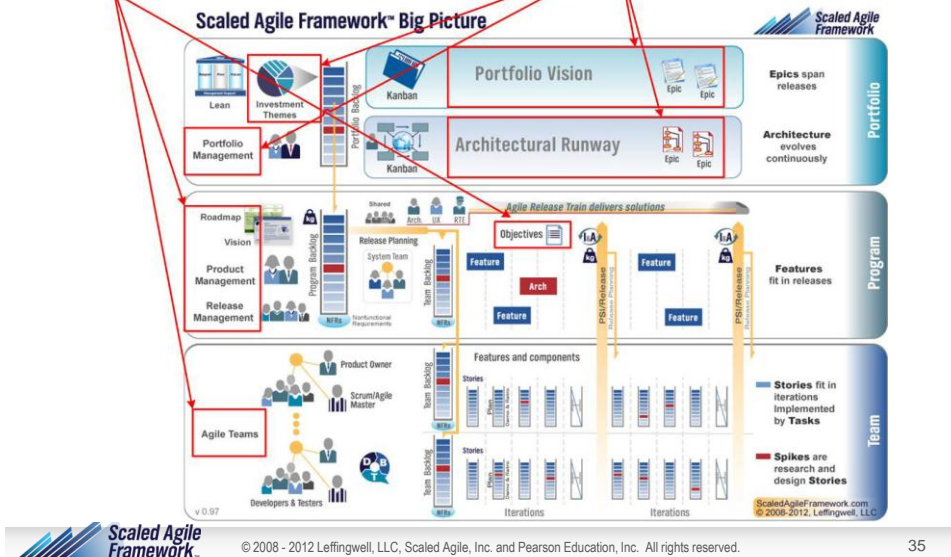
Optimize control for each level of decision making

- ▶ Centralize control for decisions that
  - Are infrequent
  - Can be applied globally; have significant economies of scale
  - Age well
- ▶ Decentralize control for all others
  - Inefficiency of decentralization costs less than the value of faster response time
  - Local decisions have better local information
- ▶ Control the economic logic behind a decision, not the entire decision
  - Set the framework, empower others to make the decisions

## #8 – Decentralize Control

Decentralize content authority control when faster response times are needed and local decision makers have better information

Centralize control for infrequent, global decisions



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## Summary

SAFe is fundamentally based on Lean principles

- ▶ Supports House of Lean culture
  - Value
  - Respect for people
  - Continuous improvement
  - Management support
- ▶ Implements Reinertsen's eight principles of product development flow
  - Take an economic view
  - Actively manage queues
  - Understand and exploit variability
  - Reduce batch sizes
  - Apply WIP constraints
  - Control flow under uncertainty: cadence and synchronization
  - Get feedback as fast as possible
  - Decentralize control

Reinertsen, *Principles of Product Development Flow*, 2009.