l e a n

software development
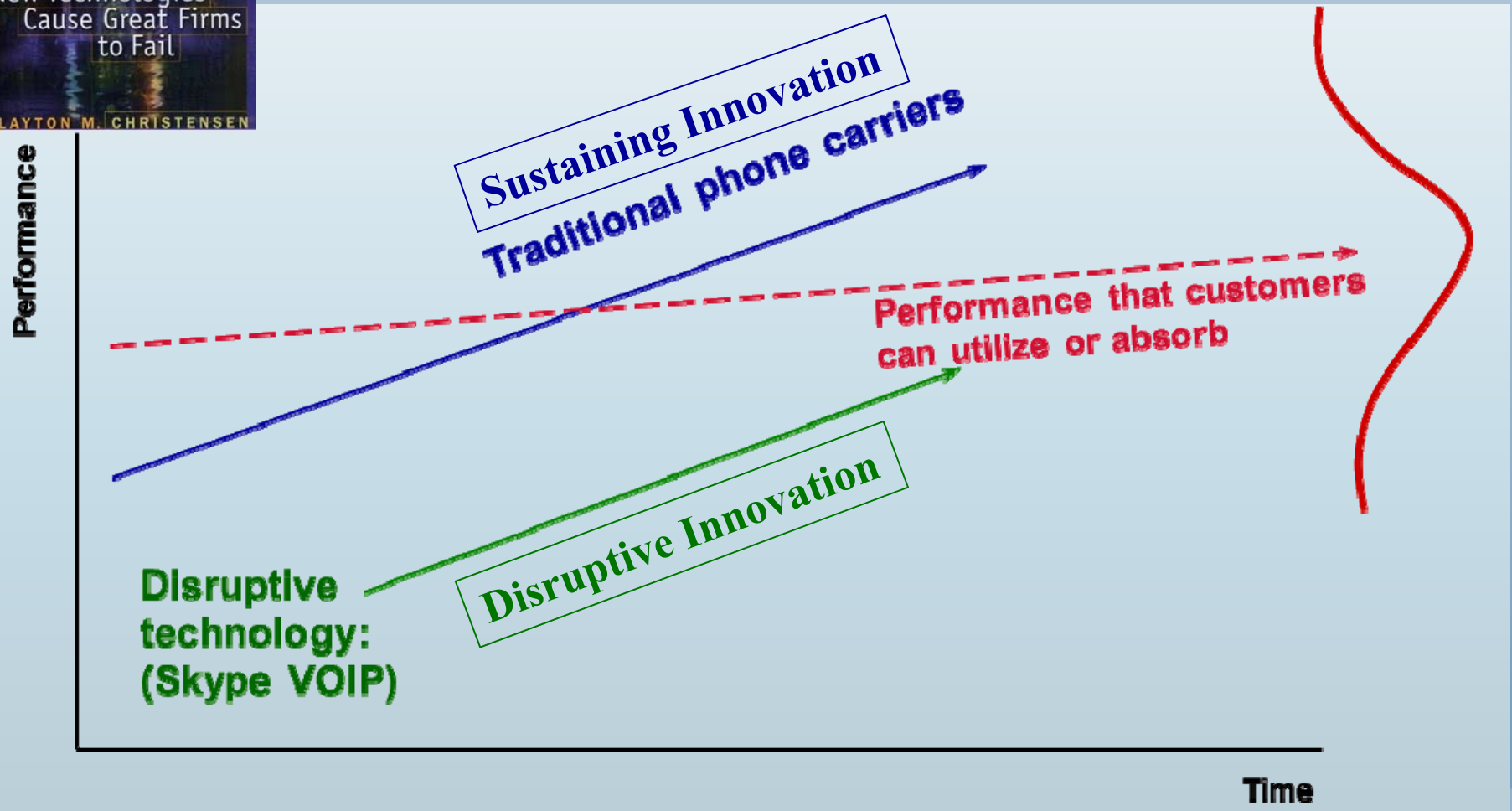
The Lean Mindset

Financial Results are a Second Order Effect

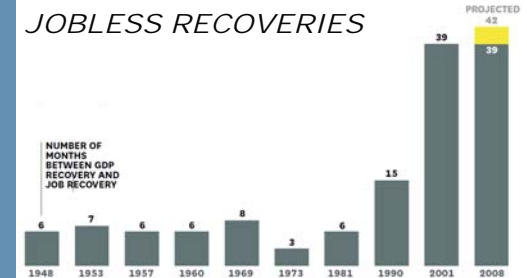mary@poppendieck.com   Mary Poppendieck   www.poppendieck.com
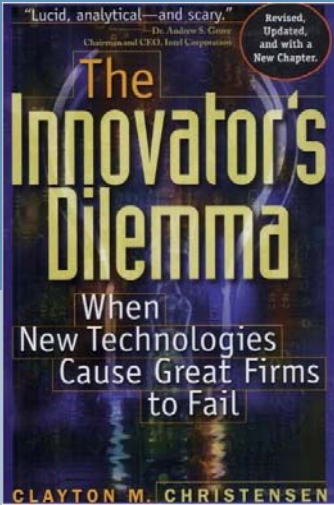
The Innovator's Dilemma

Doing the right thing for current customers is the wrong
thing for creating or surviving disruptive innovation .

The Innovator's Dilemma

"Lucid, analytical—and scary."
—Dr. Andrew S. Grove, Chairman and CEO, Intel Corporation

Revised, Updated, and with a New Chapter.

When New Technologies Cause Great Firms to Fail

CLAYTON M. CHRISTENSEN

Performance

Sustaining Innovation
Traditional phone carriers

Performance that customers can utilize or absorb

Disruptive Innovation

Disruptive technology: (Skype VOIP)

Time

The Capitalist's Dilemma

Doing the right thing for long-term prosperity is the wrong thing
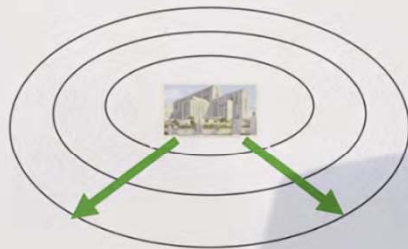for investors, according to the tools that guide investments.
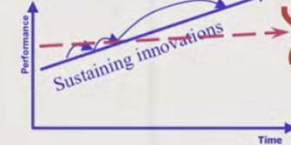

JOBLESS RECOVERIES

The Capitalist's Dilemma by Clayton M. Christensen and
Derek van Beve, Harvard Business Revue, June 2014

Shareholder Value

CEO-to-worker compensation ratio, 1965–2013

1950: War Generation

"We try never to forget that medicine is for the patient. It is not for profits. The profits follow; and if we have remembered this, they have never failed to appear. The better we have remembered it, the larger they have been."
     --- George Merck, President, Merck & Co.

1975: Boom Generation

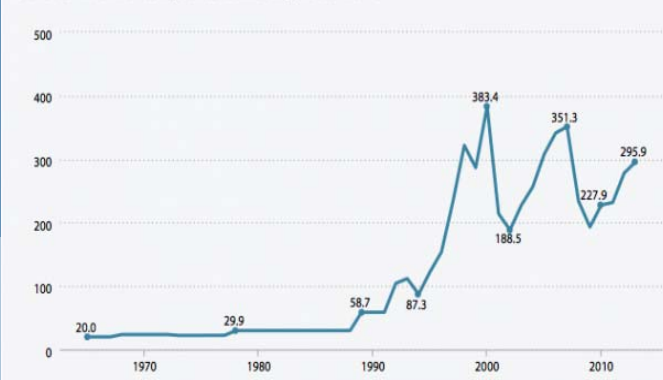"The Purpose of Business is to Maximize Shareholder Value."

US CEO Income
1976   30XAvWkr
1993 100XAvWkr
2013 300XAvWkr

2000: Tech Generation

"We don't build services to make money; we make money to build better services."
     --- Facebook

Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders.

Spreadsheets

The Fast Food of Strategic Decision Making*

Just as abundant, cheap fast food helped create an epidemic in obesity and diabetes, the popularity of spreadsheets has given rise to an unhealthy dependence on [financial] metrics.

One simple way to put [this tool] in its proper place is to resolve never to begin or end an investment conversation with reference to a spreadsheet.

But how do we make decisions
without financial metrics?

*The Capitalist's Dilemma by Clayton M. Christensen and Derek van Beve, Harvard Business Revue, June 2014

The Lean Mindset

"mindset" {noun}

a set of beliefs or a way of thinking that determines one's behavior, outlook and mental attitude.
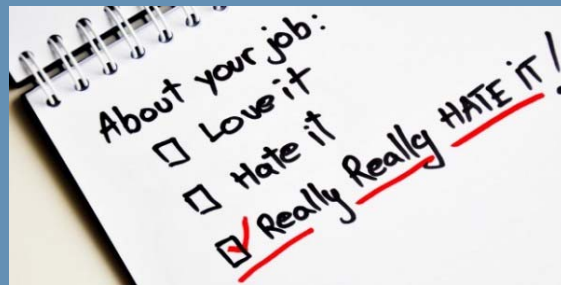
Financial Results are a Second Order Effect.

Lean Levers	Lean Analytics
1. Energized Employees	1. Engagement
2. Delighted Customers	2. Reputation
3. Making a Difference	3. Impact
4. Rapid Flow of Value	4. Flow

If we get these levers right,
the financial results will follow.

lean

Engagement

Survey after survey has reached the same conclusion: About 70% of Employees are Not Engaged.

~20%

~30%

~50%

Engaged

Not Engaged

Actively Disengaged

l e a n
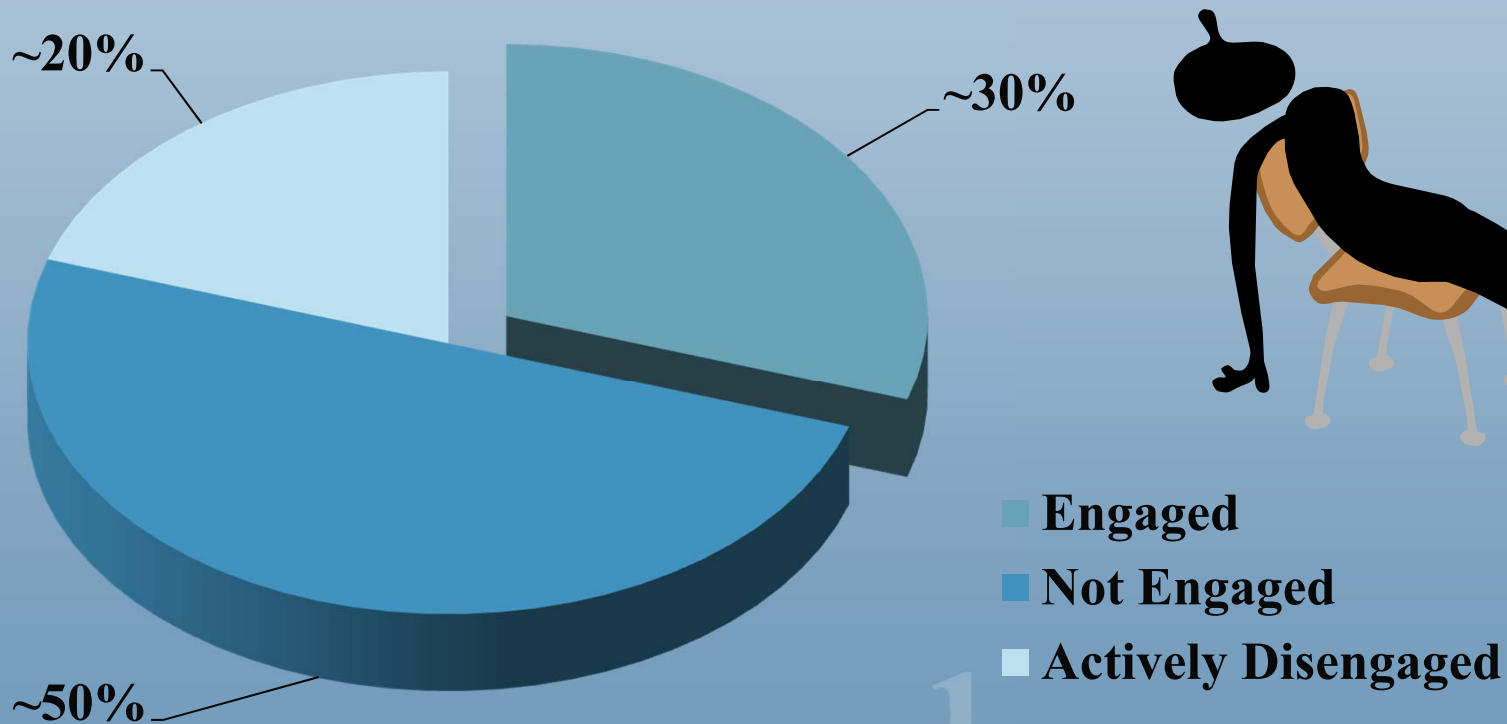
Analyzing Engagement

Gallup has measured employee engagement
for a decade, using a twelve question survey.*

Gallup Q12 Survey
2012 Reports
Companies on the top quartile on engagement

37% less absenteeism and employee turnover (on average)

48% fewer safety incidents

41% fewer product defects

21% higher productivity

22% higher profitability

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, do my opinions seem to count.?
8. The mission or purpose of my company makes me feel my job is important.
9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

*http://businessjournal.gallup.com/content/174197/
managers-focus-performance-engagement.aspx

How Spotify Monitors its Engineering Culture

Primary Value: Small, Autonomous Squads

1. My squad has a dedicated product owner that prioritizes the work and takes both business value and tech aspects into consideration.

2. My squad has an agile coach that helps us identify impediments and coaches us to continuously improve our process.

3. I can influence my work, be an active part in planning and choose which tasks to work on. I can spend 10% of my time on hack days.

4. My squad can (and does!) get stuff live with minimal hassle and sync.

5. My squad feels ownership of its process and continuously improves it.

6. My squad has a mission that everyone knows and cares about, and stories on the backlog are related to the mission.

7. My squad knows where to turn to for problem solving support, for technical issues as well as "soft" issues.

Engagement at Scale

Use Everyone's Brainpower

Autonomy

For the Good of the Whole

Cooperation

1. **Understand What People Do**
   Understand how the Work Works
2. **Create Stable Squads**
   Give Tough Problems to Strong Teams
3. **Increase the Power of Integrators**
   Integrators Create Constructive Cooperation
4. **Extend the Shadow of the Future**
   Make Consequences a Consideration
5. **Increase Reciprocity**
   Use Rich Objectives
6. **Reward Cooperation**
   Blame is for failing to help or to ask for help

Six Simple Rules: How to Manage Complexity without Getting Complicated by Yves Morieux and Peter Tollman (Boston Consulting Group)

Six
Simple
Rules
How to Manage Complexity
without Getting Complicated

YVES MORIEUX
PETER TOLLMAN

Reputation
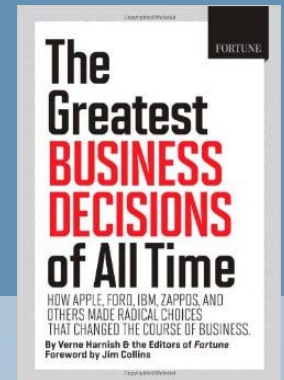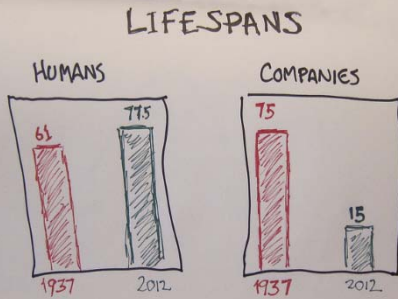
Net Promoter Score
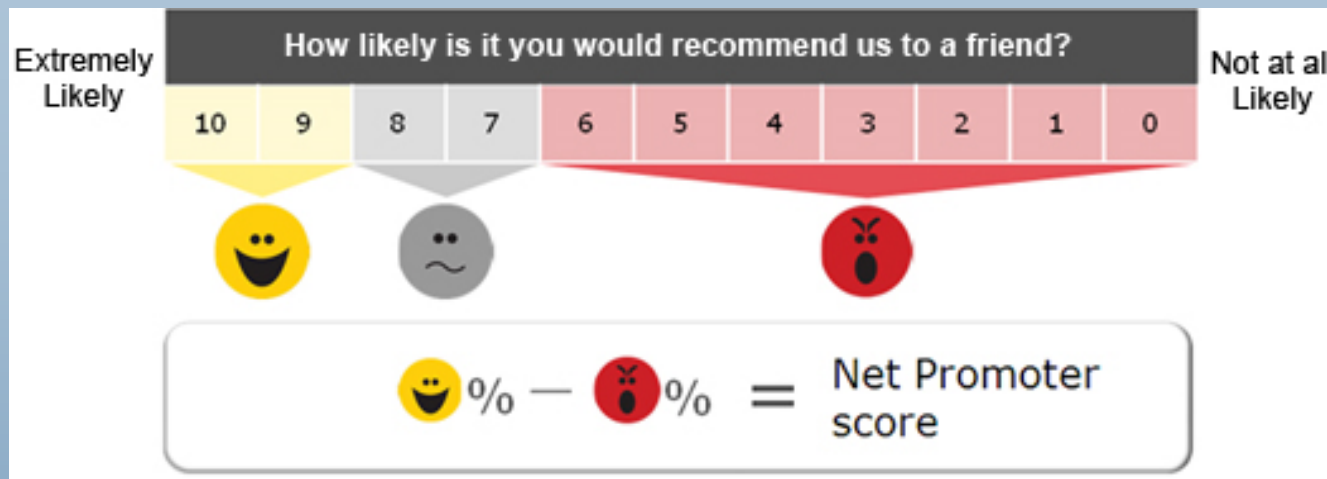
Most important – Everyone is asked:

What is the main reason for your answer?

NPS does not improve unless the causes of
low scores are understood and addressed!

Copyright©2014 Poppendieck.LLC **The Ultimate Question 2.0 by Fred Reichheld**

Impact

Beyond Spreadsheets

1914: Ford doubles workers wages

1925: 3M's 15% rule's first success

1933: Nordstrom's policy that accepts any return with no argument

1952: Boeing bet the company on the 707, its first commercial plane

1957: The "HP Way" – shared values of trust, teamwork, & risk taking

1961: Toyota adopts Deming's quality principles

1962: WalMart's Saturday morning meetings – execs & workers

1981: Softsoap buys the entire US supply of plastic pumps

1982: Johnson & Johnson pulls Tylenol from the shelves

1989: "Intel Inside" consumer-focused campaign in a B2B company

1990: Samsung gives star employees sabbaticals in other countries

1993: IBM's Gerstner sends ~300 execs to visit and listen to customers

1996: Apple brings back Steve Jobs

*1999: Zappos – free shipping & returns*
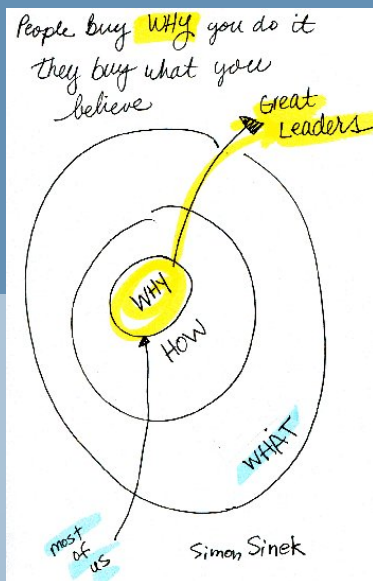
Impact-driven Development

Work Backward from Impact

1. Start with WHY – Purpose, Problem

2. Understand the desired impact:
   a. Who cares about the impact of potential solutions?
   b. How will these people measure the impact of outcomes?
   c. What changes can create outcomes that move the metrics – in the right direction – enough to matter?

3. Experiment: Prototype the most promising changes.

4. Implement a change only if its impact is validated.

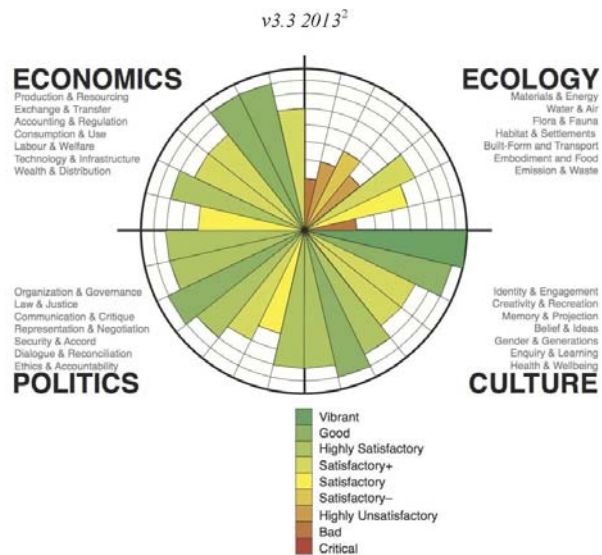5. Iterate rapidly until the desired impact is achieved.

Simon Sinek

Tom & Kai Gilb

THE LEAN STARTUP
ERIC RIES

lean
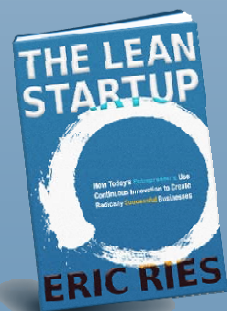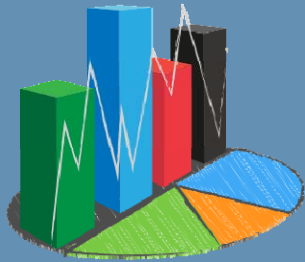
Analyzing Impact

United Nations

Circles of Sustainability

Employees · Community · Customers · Company
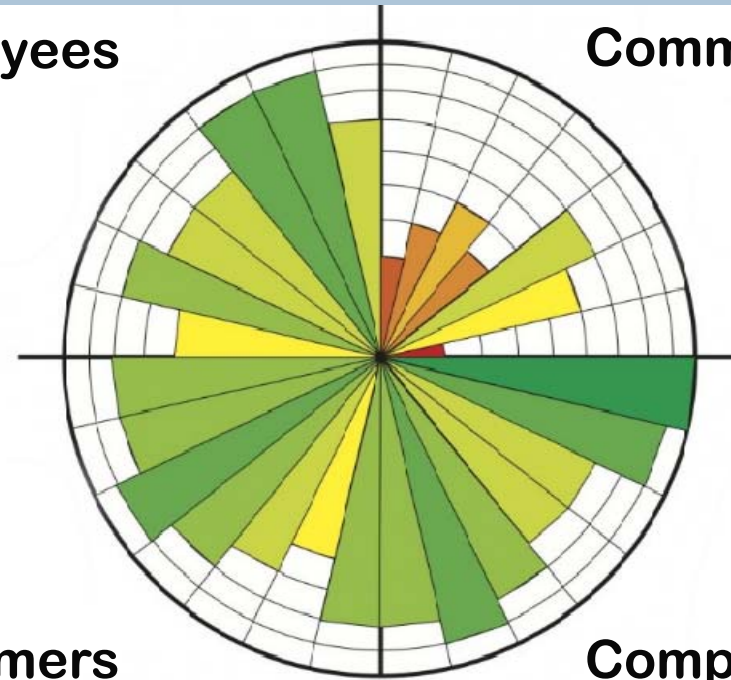
CIRCLES OF SUSTAINABILITY

What is Efficiency?

THE PITTSBURGH WAY to Efficient Healthcare

IMPROVING PATIENT CARE USING TOYOTA BASED METHODS

Naida Grunden

Foreword by David B. Nash, MD, MBA
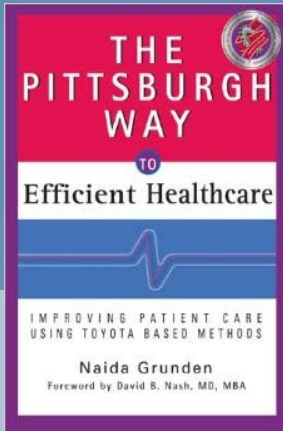
Move the Camera

From The Resource
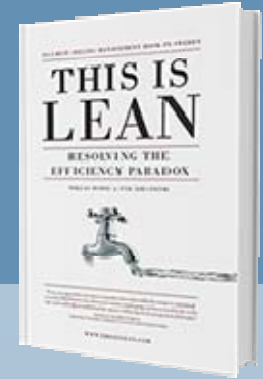
To The Flow Unit

Eliminated the waiting room
Eliminated Code Red in the Emergency Room
Streamlined the Ambulatory Surgery Center
Streamlined the scheduling of vulnerable patients

The Efficiency Paradox

Sources of Inefficiency:

Long Throughput Times
- ✓ New Needs Arise
- ✓ Windows of Opportunity Close

Many Flow Units
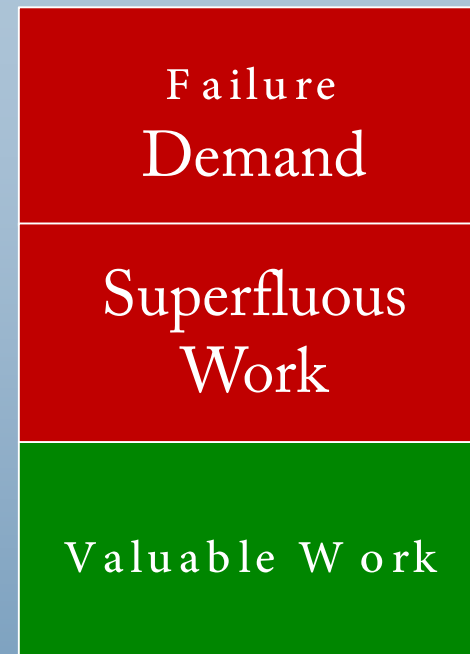- ✓ Handling, Scheduling
- ✓ Storing, Finding

Many Restarts
- ✓ Get-up-to-Speed Time
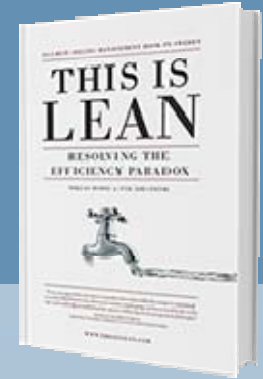- ✓ Waiting for Others to be Available

Complexity
- ✓ Confusion, Mistakes, Defects
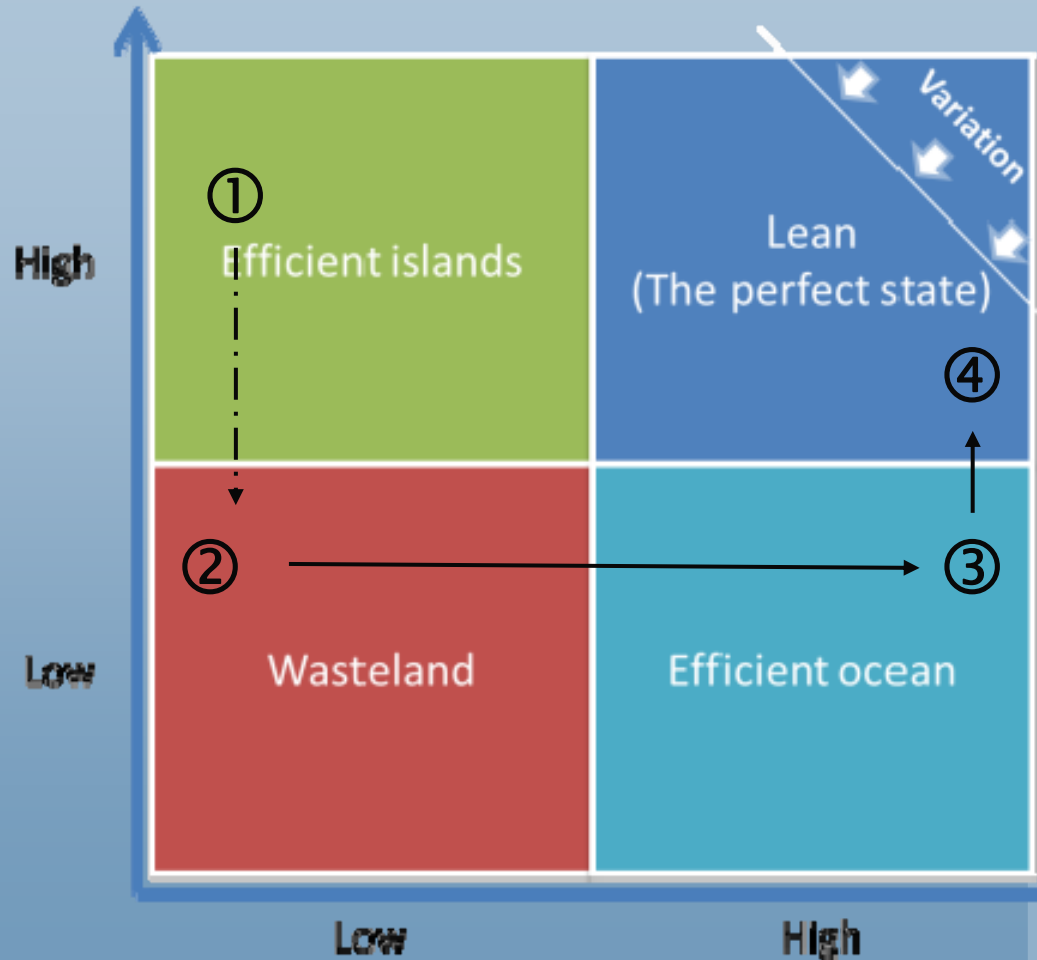- ✓ Information/intellectual Overload

Busy ≠ Efficient

Failure Demand
Superfluous Work
Valuable Work

Resource Efficiency is not as efficient as you think!

From *This Is Lean*, by Modig and Åhlström

The Efficiency Paradox

Resource efficiency

High

① Efficient islands

Lean (The perfect state)

Variation

④

Low

② Wasteland

③ Efficient ocean

Low   High

Flow efficiency

①
You think you are here.

②
You are probably here.

③
Start with Flow Efficiency.

④
Then add Resource Efficiency.

From *This Is Lean*, by Modig and Åhlström

Deploying every **11.6s**

Instantaneous automatic rollback

90% fewer outage minutes

~0.001% of deployments cause a problem

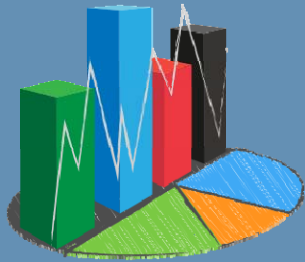## Flow Efficiency =

Time you spend actually working on a problem

———————————————————————
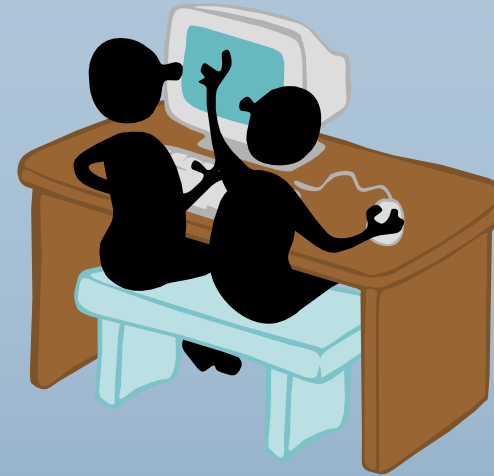
Time the person with the problem spends waiting for it to be fixed

Lean Analytics

Engagement

HAVE WE HEARD FROM YOU?

We just launched the employee engagement survey and you should have received an invitation to participate in our employee engagement survey. We want to encourage you to invest a few moments to share your thoughts. Your input will help Affinity Express continue to grow and improve.
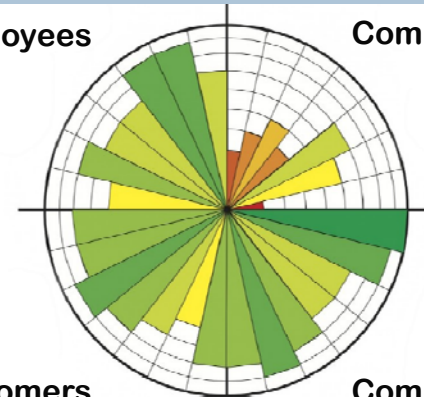
Don't miss out!

Impact

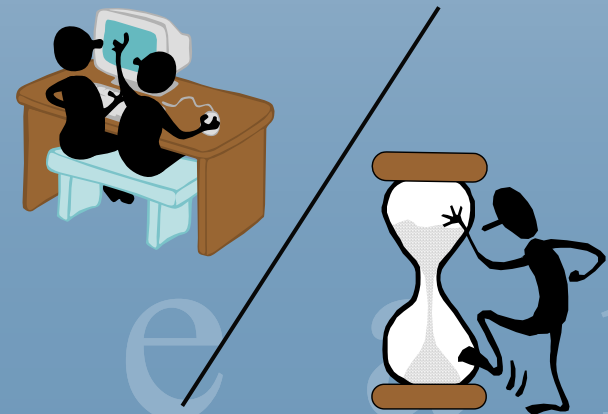Employees   Community

Customers   Company

VIBRANT
RESILIENT
LIVEABLE
SATISFACTORY+
SATISFACTORY
SATISFACTORY−
COMPROMISED
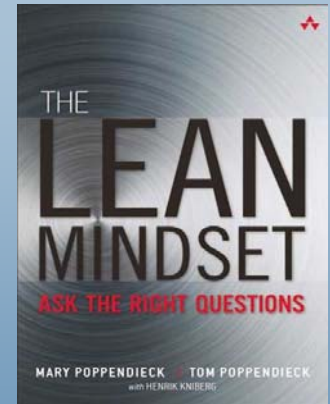DIFFICULT
CRITICAL

CIRCLES OF SUSTAINABILITY

Reputation

= NPS

Flow

l e a n

software development

Thank You!

Get more information here $\Rightarrow$

THE LEAN MINDSET
ASK THE RIGHT QUESTIONS

MARY POPPENDIECK · TOM POPPENDIECK
with HENRIK KNIBERG