

Goal

Increase productivity.

The more productive we are, the more value we create with any given set of resources.

Strategy

Identify and steadily eliminate waste.

Waste is anything that doesn't add value to the end customer. Waste kills productivity by squandering resources that would otherwise be used to accomplish our mission.

- **Reduce operating waste** by eliminating activities that don't add value to the end customer.
- **Reduce the risk of future waste** by systematically testing assumptions about how to deliver value to the end user. Testing those assumptions reduces the likelihood that you'll invest in failure.

Types of waste: Overproduction, waiting, transport, processing, inventories, motion, defects, discord.

You know there's waste when you see:

- **Futility** - uselessness, idleness, or overproduction.
- **Irregularity** - unevenness or aberrations in the production process.
- **Overloading** - excessive or unreasonable demands on equipment or people.

Approach

Adopt a learning mindset.

Learning drives change by revealing new ways to eliminate waste.

Illuminate the system.

If you can see it, you can improve it.

- **List the chain of activities** (a) that you engage in to deliver a specific product or service and (b) that your customer engages in to get their needs fulfilled.
- **Measure the resources that are consumed** at each stage of the chain. For instance, compare the time it takes for the work to progress through each stage of the system vs. the time that is actually necessary to do the work at that stage.
- **Identify bottlenecks** where delays occur and/or inventory builds up.

Reorganize processes to achieve the best flow.

Good flow enables faster, more efficient delivery of value to the customer and reduces strain on people and equipment. Its pursuit exposes inefficiencies that can be corrected to reduce waste.

- **Organize around orders, not forecasts** - Forecasts lead to overproduction that clutters the system or underproduction that gums up the works with crises. Organize affairs so that production is triggered by the demonstrated day-to-day demands of the end customer as expressed by purchases or service requests. Let work be pulled through by demonstrated need instead of pushing it through to meet anticipated demand.
- **Remove snowballs and bottlenecks** - Organize so that work and information can progress steadily from first touch to the moment your customer's needs are fulfilled.

Helpful habits:

- **Think systemically** - Organize your work to maximize the flow of the whole system vs. the productivity of single components.
- **Turn fast** - Look for ways to shift from one process to another more quickly and reduce cycle time overall so you can respond to changing circumstances without breaking stride.

Approach (cont'd)

Learn to see what's holding you back.

Uncover the suppositions, influences, and processes that promote waste.

- **Uncover counterproductive “guiding principles,”** such as faulty priorities and meaningless performance indicators.
- **Recognize problems** as indicators of poor process.
- **Discover waste** that was once invisible or ignored.

Helpful habits:

- **Get visual** - Bring processes and inventory into the open instead of hiding them in storage rooms and databases.

Realign the boundaries that define your work.

The boundaries that we choose for our work are the ultimate reflection of our focus and priorities. Choose boundaries that promote flow, accelerate learning and reduce risk.

- **Take smaller bites** - Reduce project phases, work batches and production cycles to manageable sizes so you can more smoothly respond to shifts in demand.
- **Adapt your ambitions to your resources** - Don't stretch your resources to meet your ambitions. Doing what you can with whatever you've got enables you to start implementing sooner, which jump starts your learning

and your progress. Adapting to constraints forces us to deploy resources productively. "We'll build as much as we can with a thousand dollars." Not "We'll keep fundraising until we can build the whole shebang."

- **Practice subsidiarity** - Reform processes so that matters can be handled by the smallest, lowest, or least centralized process or entity capable of addressing that matter effectively. This will usually require that you recalibrate your notions about the level of self-direction and judgement that human beings can reach.
- **Plan to evolve** - Development is something that occurs over time as well as space. Adopt procedures that make it easier for projects to respond to changing realities.
- **Practice "productivity accounting"** - Measure per-unit productivity instead of gross production. "Net revenue per acre" instead of "revenue per project." Waste is easier to see when your metrics share a common denominator.

Make it a team thing.

Systems are run by people. To change the system, we need to involve the people who will be responsible for it.

- **Respect people** as your first priority. Mutual respect enables information and ideas to flow, which minimizes discord and prevents costly errors.
- **Empower people** to make a contribution. People will help drive productivity when you give them the responsibility and opportunity to make a difference.

Get real.

Ignorance and self-deception are the two biggest drivers of waste. Save yourself before it's too late.

- **Routinely and systematically test** your assumptions. Experiment, validate, iterate.
- **Learn by doing.** Reality trumps theory.
- **Go to the source** instead of relying on reports.
- **Measure** instead of simply relying on received wisdom or judgement.
- **Commit.** Agility is powered by respect for people and continuous improvement. Continuous means forever; it's not a one-time solution but a practice, like exercise or good nutrition. Day-to-day commitment is necessary for success; it will also help ensure it.

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