

SUCCESS PROFILE

Source: Lean Risk Management—Options, Liquidity & Hedging Risk using Kanban Systems, David ‘Kanban’ Anderson.

SHELF LIFE RISK			
Class	Delay Cost	Pull	Therefore
Long	Critical and immediate.	Early	Delay work if the system is under pressure.
Medium	Goes up significantly after deadline.	Soon	Start early enough and dynamically prioritize to insure on-time delivery.
Expiry Date	Shallow, but accelerates before levelling out.	Standard	Prioritize work if deadline or expiration date is endangered.
Short	May be significant but is not incurred until much later— important but not urgent.	Late	Create a healthy mix of shelf lives.

Lean Risk Management—a fast, cheap, accurate, consent-based approach to risk assessment. A set of qualitative methods to assess different dimensions of risk such as urgency. Replenishing the system is an act of commitment—selecting items for delivery—for conversion from options into real value. Pull Selection is choosing from immediate options—ideally dynamic selection of the item with the most immediate risk attached to it. Consistent capacity allocation brings more consistency to delivery rate of work of each type.

- Separate understanding of Lead Time for each type of work. Different distributions for different classes of service increases the level of trust that

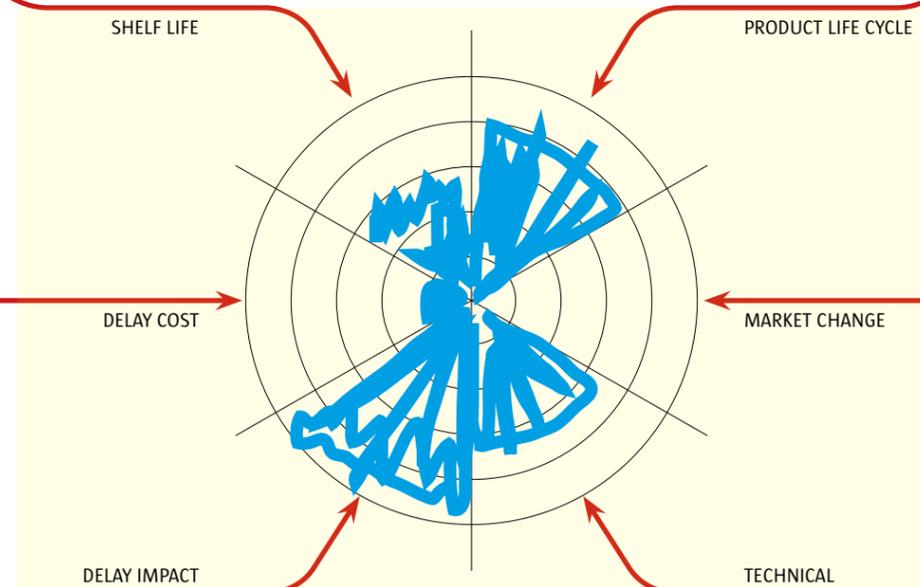
an item will be delivered in a timely manner, demonstrating that cost of delay is a risk under management.

- Do not prioritize items. From a group of items with the same risk profile pick whichever ones you like or prefer most.
- Hedge risk by allocating capacity in the system for items of different risk profiles.
- Schedule items with the same shape into the kanban system at approximately the same time as they carry the similar risks.

Understanding cost of delay enables you to know what to pull next. However, it isn't always relevant. Cost of delay attaches to a deliverable item. What if that item is large? Whole projects,

PRODUCT LIFE CYCLE RISK				
Class	Production Risk	Pull	Investment	Profit Margin
Innovative	Not well understood. High demand for innovation and experimentation.	Early	€	€€€
Major Growth Market		Soon	€€€	€€
Cash Cow	Well understood. Low demand for innovation and experimentation.	Standard	€	€

DELAY COST (URGENCY) RISK			
Class	Delay Cost	Pull	Therefore
Expedite	Critical and immediate.	Early	Bump other work if needed. Be prepared to pay the price.
Fixed date	Goes up significantly after deadline.	When deadline is in danger.	Start early enough and dynamically prioritize to insure on-time delivery.
Standard	Shallow, but accelerates before levelling out.	Standard	Provide a reasonable lead-time expectation.
Intangible	May be significant but is not incurred until much later— important but not urgent.	Late	Pull late. May suffer slow down when bumped by other work.



MARKET CHANGE RISK			
Class	Delay Cost	Pull	Value
Differentiators	Critical and immediate.	Late	€€€€
Spoilers	Goes up significantly after deadline.		€€€
Cost Reducers	Shallow, but accelerates before levelling out.		€€
Table Stakes	Regulatory changes and the like.	Early	€

Market segmentation can be used to narrow the necessary table stakes for any given market niche! Enabling early delivery for narrower markets but potentially including value generating differentiating features.

DELAY IMPACT RISK			
Class	Delay Cost	Pull	Therefore
Extinction Level Event	A short delay will completely deplete the working capital of the business.	Early	...
Major Capital	A major initiative or project will be lost from next year's portfolio or additional capital will need to be raised to fund it.	...	Start early enough and dynamically prioritize to insure on-time delivery.
Discretionary Spending	Departmental budgets may be cut as a result of our business misses its profit forecasts
Intangible	Causes embarrassment, loss of political capital, affects brand equity, mind share, customer confidence.	Late	...

minimum marketable features (MMFs) or minimum viable products (MVPs) consist of many smaller items. Understand the risks in those smaller items too, if you are to know how to schedule work, replenish the system and make pull decisions wisely. Envision other risk dimensions such as:

- technical risk;
- vendor dependency risk;
- organizational maturity risk;
- ...

Run a workshop with stakeholders to explore and expose the real business risks requiring management decisions. Some Options Get Discarded. The discard rate can be as much as 50%. Options have value because the future is uncertain

0% discard rate implies there is no uncertainty about the future. The Optimal Exercise Point If you start too early, you forgo the option and opportunity to do something else that may provide value. If you start too late we risk incurring the cost of delay. With a six in seven (85%) chance of on-time delivery, you can always expedite to insure on-time delivery.

TECHNICAL RISK			
Class	Delay Cost	Pull	Value
Unknown Solution	Requires significant research, experimentation, and learning.	Early	€€€€
Known, but not by us	Organize a knowledge injection.	Later	€€€
Done it before	Improve and optimize processes and tools.		€€
Commodity	Automate to maximum extent.	Late	€