Economics in Agile & Lean Practices

Presented by
William Baxter

May 11, 2015

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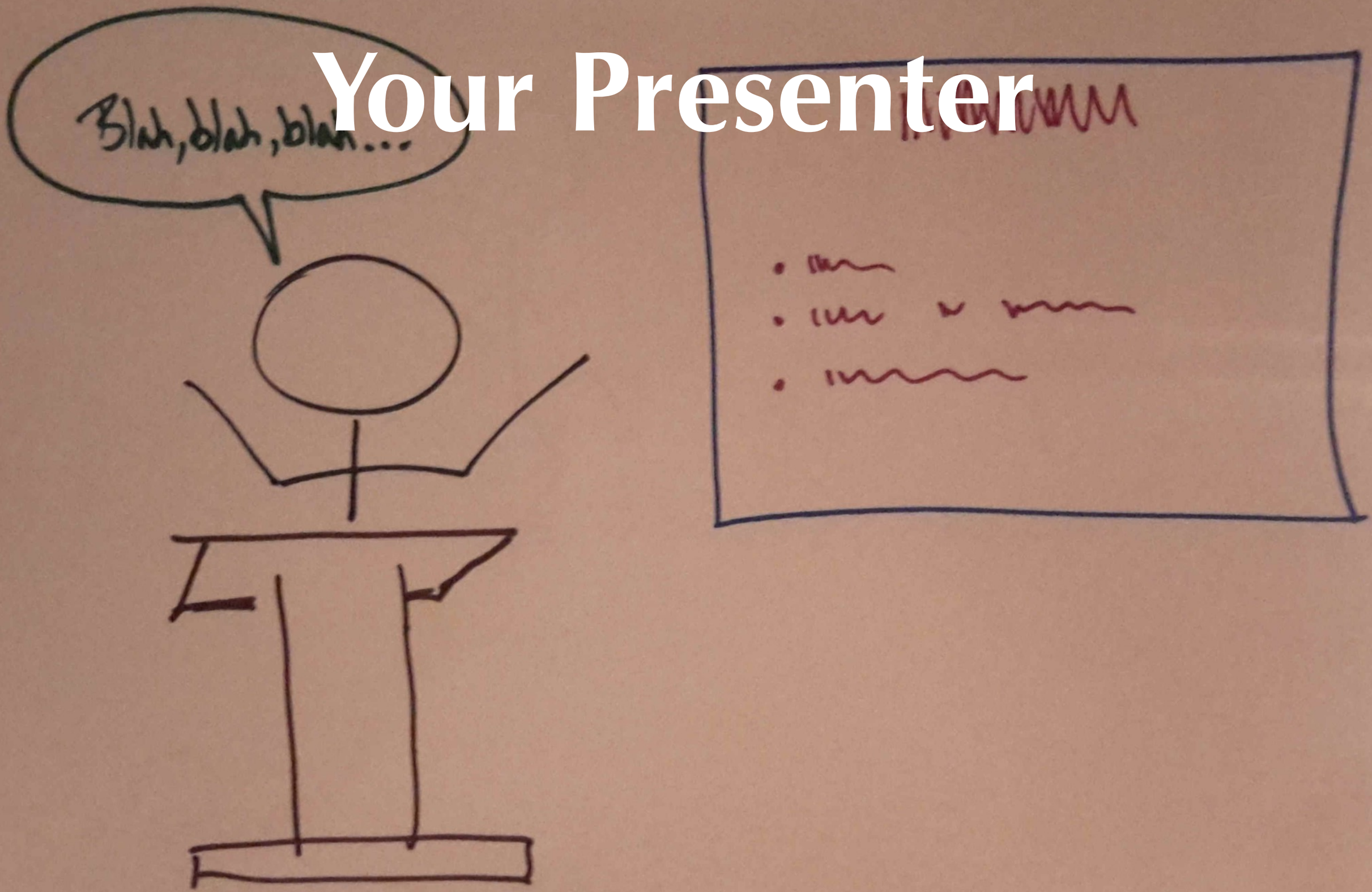
Your Presenter



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Product Development

- Developing new products or features for customers.
- May include maintenance.
- Not operational support (customer service, build & release management, order fulfillment, etc).

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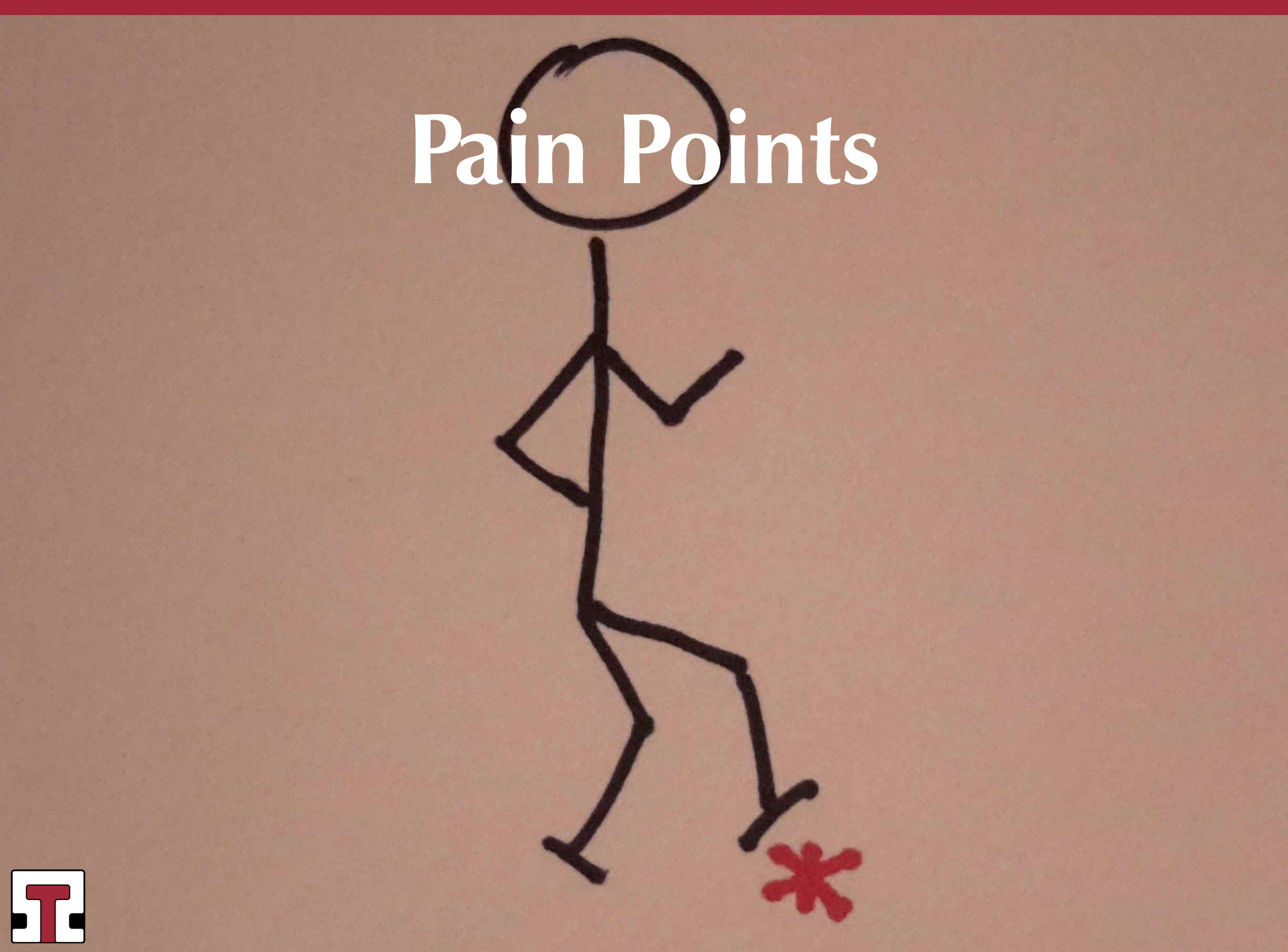
Pain Points



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"We need to be more efficient in order to get through this roadmap."

–Impatient Manager, Today

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"If we had more resources we could hit our deadlines."

–Unhappy Developer, Day After the Deadline

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“I put this ticket into the backlog 2 years ago, and it still isn’t done.”

–Frustrated Stakeholder, At the Planning Meeting

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Efficiency

Doing things with a minimum of effort and time

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Efficiency

- Ideas are cheaper to produce than to implement.
- Resources for implementation are constrained.
- Implementation capacity is always the bottleneck.
- Different ideas offer different business value.
- Time is limited.

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Effectiveness

Choosing the right things to do

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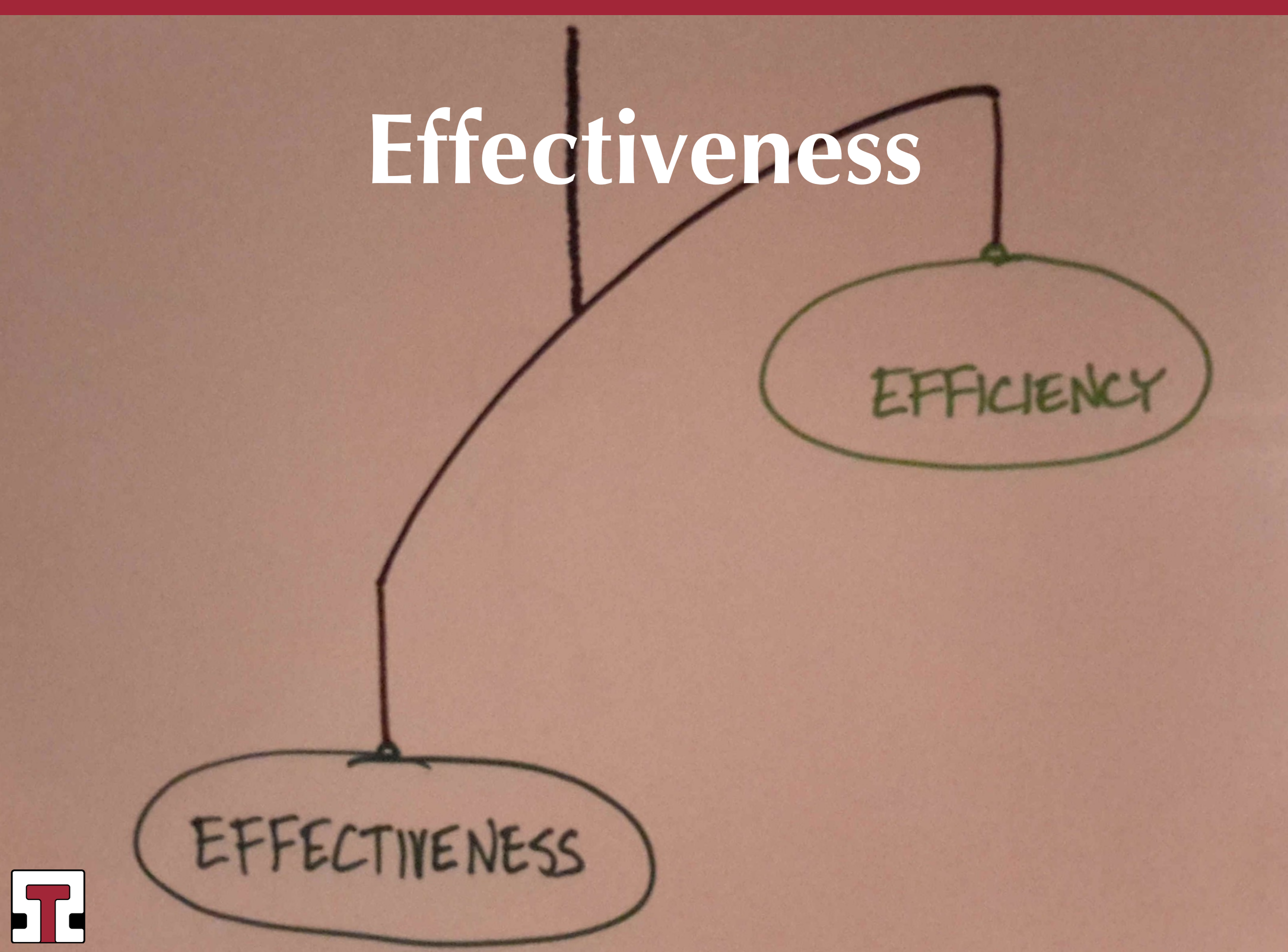
Effectiveness



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"Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."

–Lionel Robbins, 1932

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Agile, Lean, Economics

- Choose a concept from Agile & Lean.
- Identify the analogous concept from economics.
- Look at how to apply it in practice.

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MVP

Test to Reveal Preference

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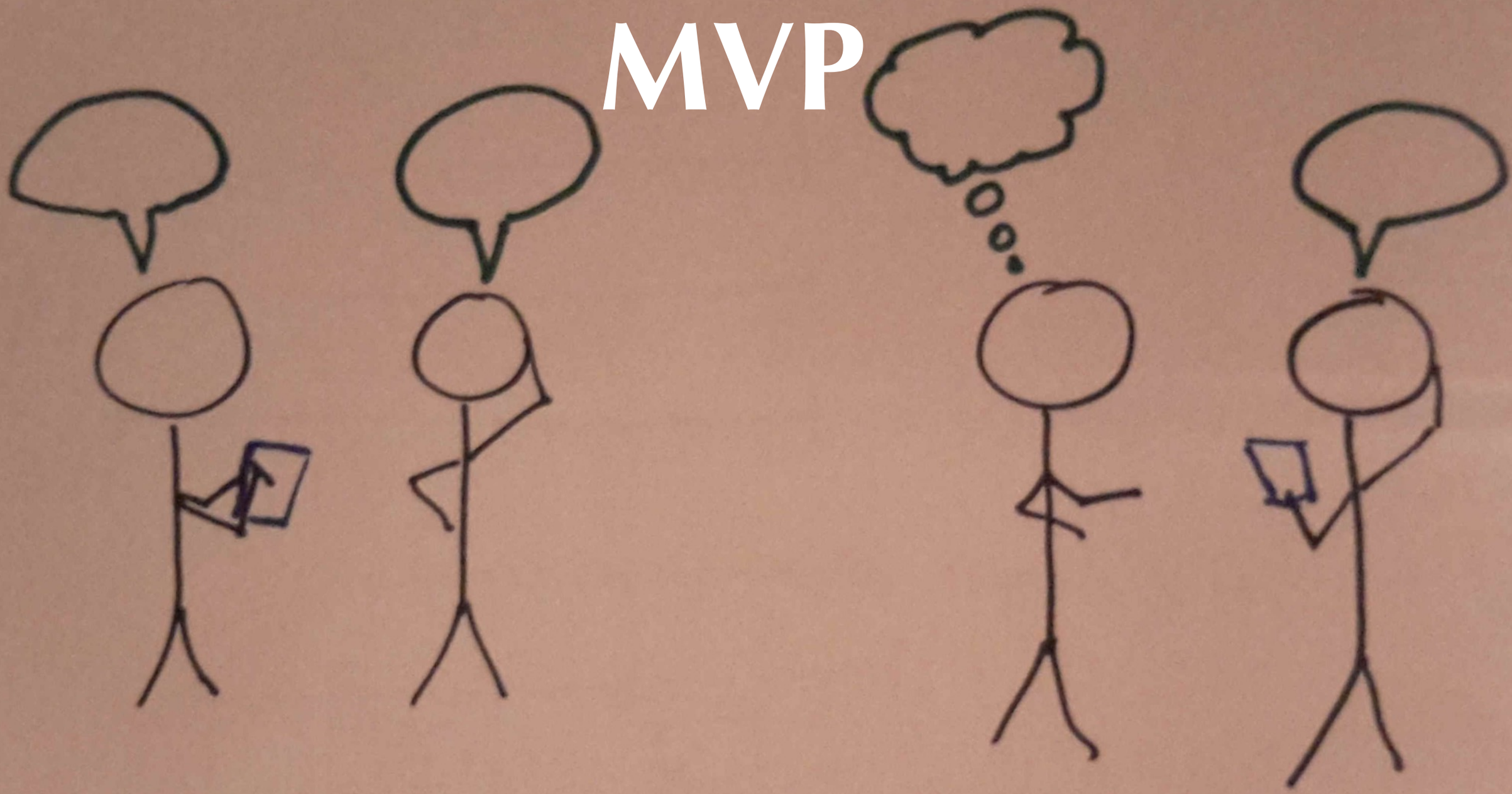
MVP



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Cost of Delay

Opportunity Cost

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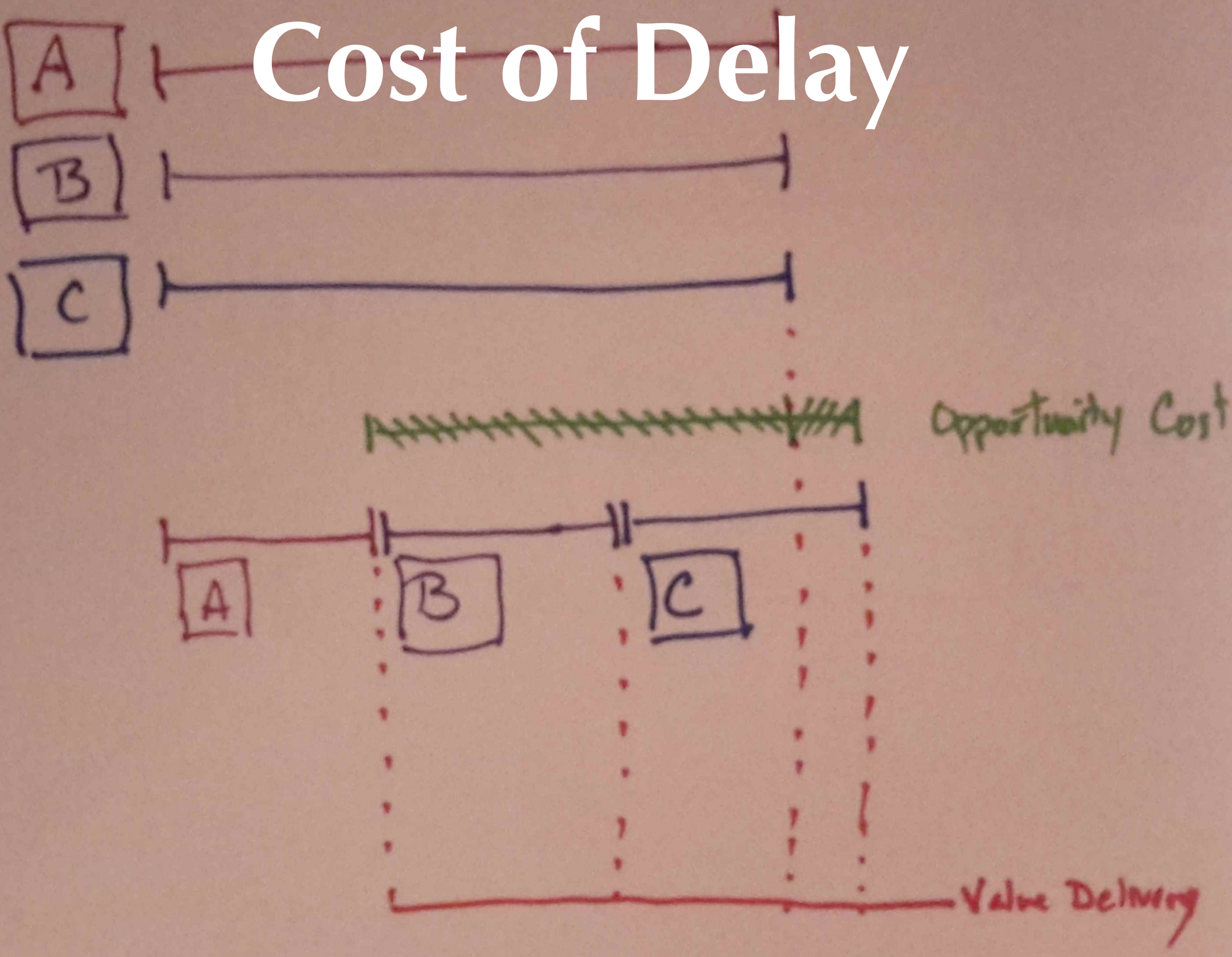
Cost of Delay



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Core Competency

Comparative Advantage

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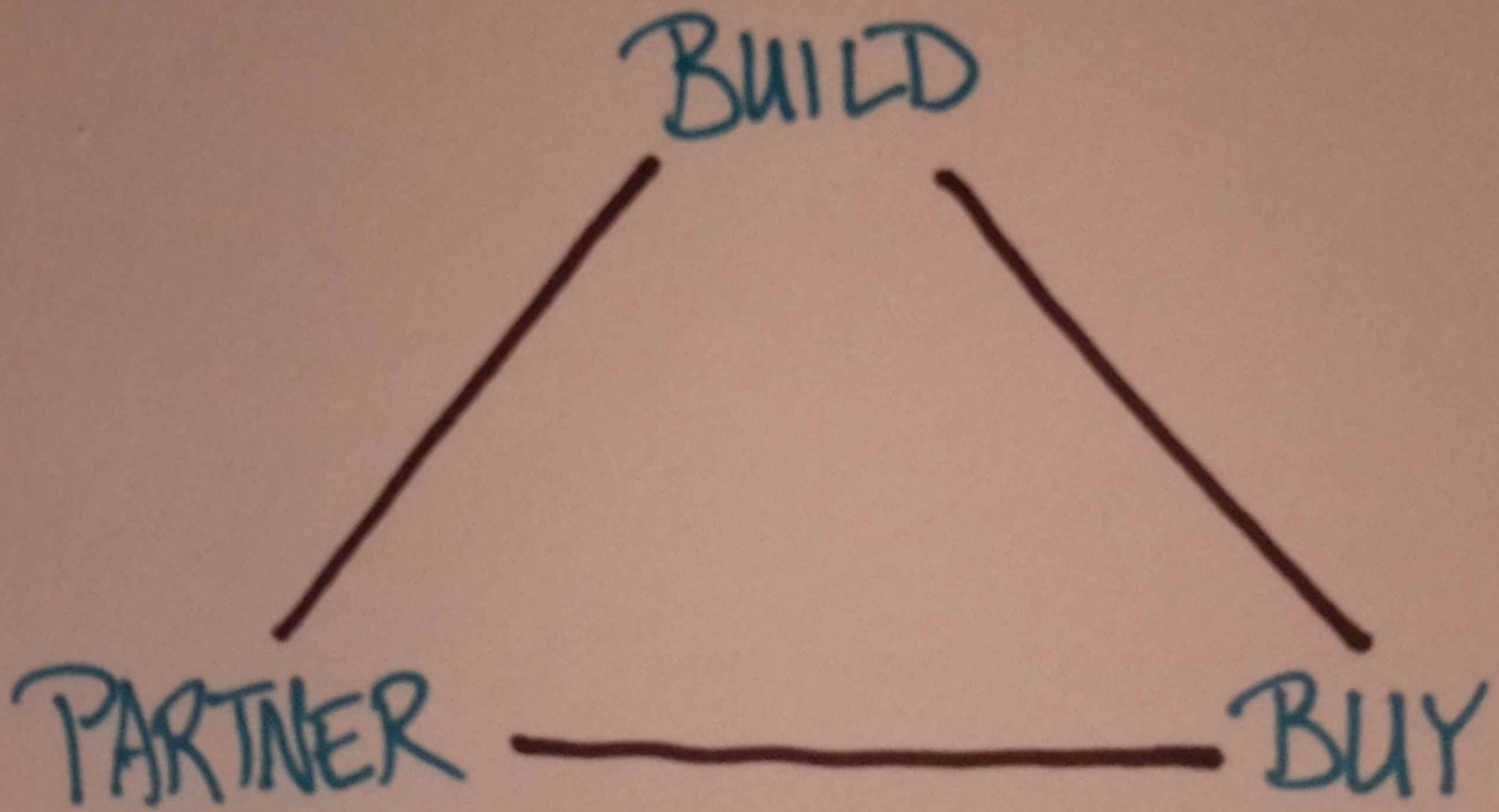
Core Competency



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Story Points

Currency

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Story Points

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Further Reading

- Economics:
  - *Cafe Hayek*: http://www.cafehayek.com, Don Boudreaux
  - *Basic Economics 5th Ed*, Thomas Sowell
  - *What is seen and What is Unseen*, Frederic Bastiat
  - *Library of Economics and Liberty*: http://www.econlib.org
  - *The Firm, The Market, and The Law*, Ronald Coase
- Economics in Agile & Lean:
  - *The Principles of Product Development Flow*, Donald Reinertsen
  - *The Lean Startup*, Eric Ries

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The End

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