Project Selection and Focus Using Theory of Constraints:

How To Determine the Highest and Best Use of Your Time, Money and Focus So That You Can Get On With Making More Money Already!
Project Selection and Focus Using Theory of Constraints By “Dr Lisa” Lang

How To Determine the Highest and Best Use of Your Time, Money and Focus So That You Can Get On With Making More Money Already!

The BIG Idea:

Work on only one or two projects at a time and do not start another until you finish one. Focus on finishing what you have started and minimize your multi-tasking to at most 2 projects.

To get the specific “how-tos” and examples read on.

Dear Overloaded Entrepreneur,

Many books have been written about how to get things done. But none of those books give you a process for selecting WHICH things to do. Which projects or “to dos” should get your time, attention, and resources to get the maximum results?

And once you’ve chosen what to focus on, what’s the best way to get the fastest results possible?

In this special report, I’m going to reveal:

- the 9 step process for selecting and prioritizing projects or to dos;
- how to focus on your top priorities and GET THEM DONE;

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• and, how to get started.

If you could get more done in less time AND you were working on the right things – what would that be worth?

If you’re like me, it will be worth more money, more free time, and a lot less chaos.

Who is this report for?

Project selection and focus is a huge subject. To keep this report focused I’m going to discuss it terms of the needs of individuals or small groups.

Big organizations, particularly those that deliver projects as their primary service or that do R&D or development, are beyond the scope of this report. However, even those organizations will benefit from understanding what is described below because the problems are similar.

I found the enemy, it’s me!

Most entrepreneurs are very good at generating an overwhelming list of ideas. This is true whether you are your only employee or if you have a number of employees.

The more employees you have, typically, the more open projects you have because you feel free to generate more ideas. You wouldn’t want any of your resources to go idle, now would you?

This means that we end up multi-tasking between several projects. And of course, we never stop generating ideas, so the project list just gets bigger and bigger.

And, the more projects you’re working on at any time, the longer it takes to complete a project.

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Let’s consider an example. Say we have 3 projects that we are working on. We are multi-tasking between all 3 projects – red, blue and green.

Each project has 3 days worth of work. If that’s the case and we multi-task, then we wouldn’t finish the red project for 7 days, the blue project after 8 days, and the green project after 9 days.

The situation is even worse if the time line doesn’t represent days but instead weeks, months or years and if you have more than 3 projects your multi-tasking between.

However, if we focused and worked on one project at a time, the red project would finish after 3 days, the blue project would finish after 6 days and the green project would still finish after 9 days.
And if you only get paid when you finish a project, you would get paid much quicker for the red and blue projects. So your cash flow would be better if you didn’t multi-task.

So, what we’ve learned so far is that our ability to generate a never ending list of projects is actually working against us in combination with multi-tasking.

**But isn’t it true that the sooner I start a project the sooner I finish?**

No, not unless you are only working on one at a time. When you are multi-tasking between several projects the opposite is true. Every time you say “yes” to a new project you’re delaying all the other projects you’re working on.

So if we add a 4th project (yellow) to the same example above, it will take even longer before red, blue and green are done.
And have you noticed that the more projects you have going at any one point in time the more chaotic your life seems to be?

**How can this be when we’ve all heard about the virtues of being a good multi-tasker?**

It’s simple. Let me explain how we all came to believe that multi-tasking was a good thing.

It goes back to efficiencies. We are taught that to maximize our profits we must be efficient with the resources we have. If we are not efficient we will surely lose money.

Let’s look at an example where we have employees. We start working on something, but then notice that we have an employee who doesn’t have the skill to work on the active project.

We decide it would be a waste, inefficient, to leave that employee idle, so we release another project for that employee to start working on.

But that employee has questions and needs to interact with other employees. So now, you’re in full blown multi-tasking.

But, your employees are efficient. They are all busy and you are
“using” all of their time. Never mind that you just lengthened the time to complete the other projects or that your cash flow is now worse.

And don’t we do the same thing personally? Have you ever been doing something like cooking and while you’re waiting for the water to boil you start emptying the dish washer. Only you get so busy emptying the dish washer you don’t put the noodles in as soon as the water comes to a boil.

You have just increased the time it takes to cook dinner. And if you’re like I was, you do this throughout your day.

So we have learned 2 more things:

- The sooner you start, the longer everything will take; and
- The goal is NOT to be efficient. The goal is to make money.

That sure seems like enough problems – but wait there’s more.

**Another problem is we think we don’t know enough!**

And to make matters worse, we often create projects or have “to dos” that are about learning something.

I’m not against learning. I love it. But how many times do we get in our own way? How many times do you put off doing something really important because you don’t know enough?

“If I just knew this one thing I could finally do the really important project and make money.”

Have you ever thought?

I know enough!

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I suggest that you do. You know enough to start. But before we talk about what you should START doing and where you should focus your time and money, let’s first talk about what …

**You Should STOP doing.**

You know the saying that you can only fit 10 lbs of crap in a 10 lb bag? Well before we go adding more to your bag – what are you going to stop doing?

It’s not realistic or sustainable to think you can just start working your way down that very long list of projects you have.

If you have routines besides your project list that must be done, write all those down. This is the list of stuff that probably ends up taking all day every day because we let it. You probably have daily, weekly, monthly and yearly routines.

Next, write down how much time each one of those things take per week. And how much time does that leave for you to work on your projects or “to dos”?

Let’s say that you calculate that you have 10 hours per week to work on your projects. That’s 520 hours per year.

**If you REALLY focused, how much more money could you make with 520 hours over the next 12 months?**

How do you spend those 10 hours per week now? Well if you’re like most of us, you spend it getting distracted.

The biggest issue I had was email. I went to it first thing in the morning and next thing I knew it was lunch time.

And every time I would start working on one of my projects, I would
get a call or an email that just had to be responded to.

And have you noticed that just when you have finished going through your emails, 3 more have just come in?

I didn’t realize that every time I changed tasks, changed what I was focusing on, it cost me about 20 minutes. Yes, studies show it takes about 20 minutes to reorient after switching takes.

As it turns out, I was allowing multi-tasking to steal my days.

Wasting that 520 hours per year.

So I look at emails only a few times a day now. That’s so that I can really focus on whatever project I have decided should have my full attention (more on that in a minute).

And when I do go through my emails, I’m looking for emails from clients or vendors that really need my attention. The 50 or so marketing and sales emails (I happen to get a lot of marketing and sales emails – what’s your favorite distraction?) I get --- I just file them and I DON’T read them.

Why? Because for now --- I know enough. I don’t want to get sidetracked learning the next cool thing, watching the next great video, or laughing at the latest joke that circulating.

We don’t get paid to learn. We’re supposed to use what we learn to make money.

Now I’m not saying that you know everything that you need to. But, you know enough to focus. And as we discover where we really are missing some information, we can search the emails that we have filed.
So, stop getting distracted.

Let me say that again. Stop getting distracted.

What’s your goal? If it’s to make more money now as well as in the future, then you know that the distractions are NOT paying off.

In Theory of Constraints (TOC) there are two key pieces of information you must know or decide:

1. What is your goal? I have assumed your goal is to make more money now, as well as, in the future. But if your goal is different, be very clear about it.

2. What is your constraint? What is limiting you from achieving more of your goal? For most entrepreneurs it’s us. It’s our time. If you have a small team it may be a particular skill within your organization. But I will use your time for the rest of our discussion.

So what should you be working on? Which project should have your full focus until it’s completed?

The project that’s going to make you the most money in the least amount of time is THE thing you should be focused on.

Now that may seem like an obvious answer, and it is, but most people don’t have a process to select and prioritize where their focus should be.

The 9 Step Process for Selecting and Prioritizing Projects or To Dos

1) List all your potential projects or your big “to dos”. Do NOT include the routine stuff you do, we’ve already determined that your routines take 30 hours a week. This is a list of the projects that will
take your business to the next level. Brainstorm your whole list.

2) **Decide which projects will provide income in the near term and list those under “Short Term Projects”**. The definition of short term and long term depends on your financial needs. I typically put anything in the category of short term that’s going to take less than a year to start producing income.

3) **Decide which projects will take longer to generate income and list those under “Long Term Projects”**. I typically put anything in the category of long term that’s going to take more than a year to start producing income. But you should now have a list that looks something like what you see below. Although most people have many more short term projects than long term projects. And it’s perfectly fine to have just short term projects for now. You can also take any long term projects and break them into a series of short term projects. That will make this exercise easier if it makes sense to do that.

4) **For each project list the potential income it can generate**. This is an estimate, of course, since you haven’t done the project yet. How much potential revenue do you think would result if you completed the project? Include all income you will be collecting as a result of the project, even shipping. Don’t worry if you don’t have perfect information. We just need a ballpark number or “close

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enough for hand grenades” number. And because you will have an estimate for each of your projects, we are just looking for them to be relative to each other. Indicate whether this income is one-time or reoccurring like $5000/month. Then add the one-time income to the annualized reoccurring income to get an annualized income number.

For example if you are going to generate one-time income of $1000 and monthly reoccurring income of $5000 per month, you would enter $61,000 in to the income column for that project.

5) For each project list the costs you will incur to generate that income. Costs are those that you would incur as a result of the project. In Theory of Constraints we call these Truly Variable Costs (TVCs). Do not include any costs which you are currently paying and will continue to pay whether you do the project or not. These costs can be both on-going reoccurring costs and one-time costs, but be specific about which they are. Then add the one-time costs to the annualized reoccurring costs to get an annualized income number.

For example if you are going to pay $2000 for some outsourced help and then have $500 per month in reoccurring costs, you would enter $8000 in to the TVC column for that project.

6) For each project take the income you expect to generate and subtract the costs (those Truly Variable Costs) you will incur to generate it. This is called Throughput and it’s the income minus those Truly Variable Costs (TVCs). This is Step #4 minus Step #5 so it’s the Throughput you will generate in the first year. (Note that if you had any one-time income or costs, that your subsequent years may be different and this could be used as a differentiator if you have 2 projects that end up with similar priorities.)
7) **For each project list the amount of YOUR time it will take to make it happen.** Do not include the outsourced time or your employee’s time. We are going to LEVERAGE your time because you are the constraint or limiting resource in your business. Outsourcing and off loading to employees is a way to LEVERAGE your time. This question is how much of the constraint (YOUR time) will each project use, how many Constraint Units (CU)?

Here again, you may have both one-time and reoccurring uses of your time. So estimate both then generate one annual number.

For example, you estimate 30 hours one-time and 1 hour per month on-going. Enter 42 hours.

8) **Divide the Throughput (answer to #6 above) by how much of your time it will take (CUs – your answer to #7).** This will give you the $/hr you will generate with each hour of your focused time and money. The idea is to maximize the use of your constraint to generate the most income. So you can prioritize your projects based on the (Income – Costs)/Your Time or in Theory of Constraints terms Throughout per Constraint Unit (T/CU).

For our example, we had $53,000 in Throughput divided by 42 hours = $1261/hr.

Extra Credit 1: You can also calculate the T/CU On-Going by only
considering the reoccurring income, costs and Constraint Units. Just add one more column to your table if you want to do this. In our example that would make the T/CU On-Going $4500/hr ((($60,000-$6000)/12 hours)).

This is a little more complicated for your long term projects. But typically, we include all the accumulated costs and Constraint Units (could be more than a year’s worth depending on the situation) up to when your start generating income in the T/CU First Year. T/CU On-Going would be calculated the same as for short term projects.

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<td>Constraint Units (CU)</td>
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Extra Credit 2: For your long term projects instead of calculating T/CU calculate (T/CU)/ET, where ET stands for Elapsed Time. This will discount the longest of your long term projects and it will put a higher priority on the one(s) that will take 2 years versus 5 years. The longer it takes to start generating income, the less likely the income is to occur. So if you calculated a $383.3/hr long term T/CU and it was going to take 2 years elapsed time, the (T/CU)/ET would be $192/hr.
9) **Focus on the 1 Short Term and 1 Long Term project that has the highest T/CU or $/hr return on your time.** I typically pick the highest first year T/CU then use the T/CU On-Going as a tie breaker. But use what makes sense for your situation.

Whichever 1 short term and 1 long term project you choose (or you can pick 2 short term projects if that better fits your needs), the rule is that you cannot start work on any other project until you complete one or decide to abandon it. If you get new ideas, just add them to your list of ideas to be considered when you finish one.

The short term and long term projects that generate the highest T/CU should be your highest priority projects – the things that you are focusing on.

A deviation to this focusing mechanism is when you have very limited cash. If this is your situation, then you may only be able to choose projects to focus on where you have the cash to cover the costs you estimated. And in this case, your time really isn’t your constraint, it’s cash. But that’s a special, more complicated situation. For more information on cash constraints watch this video:

Why only 2 projects?

Well for the reasons we’ve already discussed. The more projects you multi-task between the longer it takes to finish one. I have found that by allowing you only 2 you can minimize the amount of multi-tasking while at the same time, there is always something that can be done on one of them.

The only place we care about efficiency is on the constraint. So by allowing you 2 projects, you always have something to do without the distraction of multi-tasking.

In cases where you have employees or subcontractors and lots of open projects, I typically start by dramatically cutting the number of open projects. How much depends on the situation but cutting it in half is a good place to start.

And once you do that, you will be able to tell where your constraint is. At which department or skill does your constraint reside?

We will continue with our simple case for now where you are the constraint. But if you want to learn more or you have a complex case, watch this 9 minute overview video on Critical Chain Project Management:


Maximize the Use of Your Constraint (Your Time)!

Your constraint is the thing that limits your ability to make more money now as well as in the future.

I find that for most entrepreneurs, the constraint is their time and

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attention.

So for us to maximize our potential, we need to focus and work on those things that generate the most amount of Throughput for the least amount of our time and attention.

The key is to focus on your top priorities and get them done!

**Focus on Finishing!**

It is far better to finish a project that will start generating income (or get you closer to that) than to start another project.

Generally, we generate no income when we start a project. We start generating income when we finish!

Now that you know which projects you should be focused on …

**Do NOT work on or start any other projects until you finish one!**

When you finish the short term project (or it’s not what you thought and you decide to stop) you can start another short term project.

And when you finish the long term project you can start the next one.

This is the highest and best use of your time, money and focus. And if you will focus, you can get on with making some money already!

This also means that when you outsource, you are better leveraging the constraint (YOU). You are making money, but using less of your time and attention.

**To the extent that you can outsource – do it!**
And to the extent you can off load some of the routine stuff your doing, also do that. That will give you more hours in the week to tackle your most important projects.

Just this year I outsourced my accounting. This freed up about 5 hours a month. That’s 60 hours a year and it means I could complete another revenue generating project. And that revenue far outweighed the cost to outsource, so my profits increased.

How much is it worth to actually finish a project on YOUR list?

I don’t know what you have on your list, but I’ve had some clients that discover that if they would only focus they could have a big return in relatively short amount of time.

It’s common to find that some projects will return several THOUSAND dollars an hour for your time.

It’s also common to find that you have prioritized wrong – that you are working on some things that you shouldn’t be.

One client was beating himself up for not working on a book. Well when we did this analysis, we discovered that the book was NOT at the top of either the short term list or the long term list.

**How much energy and attention do you spend beating yourself up or feeling guilty about what’s not getting done?**

What if the thing you feel guilty about should NOT be worked on right now? How could you better spend that energy and what results could you achieve?

You’ve spent a LONG time directing your time, money and attention to learning more or getting distracted. Now it’s time to FOCUS.

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How do you get started?

Some people know which projects they should be working on and they may also know that working on one at a time is the fastest way to get one done.

However, they don’t start. Why is that? I don’t know for sure, but here are the common hang-ups I’ve seen:

- You don’t have confidence in yourself or that you’ve selected the right project.
- Or, you are just overwhelmed by the magnitude of the project.

Hopefully that first one isn’t an issue any more. We’ve discussed that you know enough and you now have a process so that you can feel confident in the projects you’ve selected.

The mostly likely remaining issue is the second one. That you’re overwhelmed with the magnitude of your short term or long term project or both.

So here’s how we deal with that. Take each project and list the obstacles to getting it done. This is another Theory of Constraints tool.

What is keeping you from completing the project? List all the things that you don’t have in place, each thing that needs to be completed in route to completing the project. You can also list what you don’t know how to do.

Just list all the obstacles standing between you and the completion of the project.

Next, for each obstacle write an objective. It’s usually the opposite of the obstacle. We do this exercise at the end of our Mafia Offer Boot

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Camps, assessing what we need to do before we do make our Mafia Offer, and here’s an excerpt from one of those:

<table>
<thead>
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<th>Obstacles</th>
<th>Objectives</th>
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<tbody>
<tr>
<td>1. Our customers don’t know about our offer</td>
<td>1. Our existing customers know about our offer</td>
</tr>
<tr>
<td>2. Our quotes are not set up for our offer</td>
<td>2. Our quote sheet accommodates our offer</td>
</tr>
<tr>
<td>3. Our website does not have our offer</td>
<td>3. Our website proudly displays our offer</td>
</tr>
<tr>
<td>4. We don’t have a target list of prospects for our offer</td>
<td>4. We have identified target prospects for our offer</td>
</tr>
<tr>
<td>5. Our sales people/reps don’t know how to make the offer</td>
<td>5. We have trained key sales people and outside reps</td>
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Now, take all your objectives and sequence them. Do any need to be done before another one can be started?

Some can be worked on concurrently, so just put them in logical order and in the approximate order you’re going to do them in.

Now when you look at the first objective on your list – do you know what to go do? If so, then go do it!

If not, then break it down in to smaller pieces. So if you first objective was that your “Wordpress blog was up and running” and that is overwhelming to you, then break it into steps like this:

1. Set up hosting for Wordpress Blog.
2. Install Wordpress.
3. Purchase the Theme and install.
4. Install the standard plugins.
5. Write first blog entry!
Summary

If you’ve been plagued by distractions or analysis paralysis, you now have the formula to get past it.

- First choose your goal and determine your constraint.

- Then prioritize your projects based on Throughput/Constraint Unit (T/CU).

- Next, choose 2 and only 2 projects and get to work. **Focus on finishing** one of your 2 projects before selecting and starting on another. Set any new ideas aside, but capture them on your overall project list.

- If at any time you feel overwhelmed, break the project or task into smaller bit sized pieces.

For becoming this prioritizing, focused machine, you will be rewarded with more income, more free time, and less chaos.

And if after reading all this you want some one-on-one coaching, well you know who to call.

Or if you breeze through this and want the next step – to monitor the velocity of projects and put a system in place to continuously improve. **You should check out www.ProjectVelocitySystem.com.**

If you’re interested in the Velocity System or want more information, send an email to **DrLisa@ScienceofBusiness.com.**

In all cases you may have some questions as you start to apply this. Please submit any questions or comments you have on the **Information Overload Destroyer Blog.**
Who is Dr Lisa?

I’m a Theory of Constraints’ Expert, TOCICO Certified and everything. I’m considered to be the foremost expert in the world on applying Theory of Constraints to Marketing. Science of Business is known world-wide for our Mafia Offer Boot Camps.

I was the Global Marketing Director for Dr Goldratt’s Goldratt Consulting organization. He’s the author of the bestselling book, The Goal, and the father of Theory of Constraints.

And I don’t just teach this stuff (don’t let the Ph.D in engineering fool you), I use it in my businesses and with my various clients. I’m even coaching a few “gurus”. Our on-line coaching programs are inexpensive and getting fantastic results. Checkout: www.VelocitySchedulingSystem.com, www.ProjectVelocitySystem.com, and www.SalesVelocitySystem.com.

I’m the author of 3 books: Maximizing Profitability, Achieving a Viable Vision, Increasing Cash Velocity, and a 4th, Mafia Offers is due out in May 2010.

Before becoming a consultant, I was in operations, strategic planning, purchasing, R&D, and quality while working for Clorox, Anheuser-Busch and Coors Brewing. And I have presented workshops or keynotes for organizations like: Vistage, TEC, TLMI, ASC, NTMA, NAPM, TESSCO, Bostik, GE, Pfizer and Sandvik Coromant.

If the gurus, who already have highly successful businesses, can benefit from focus, can’t you?

Wishing you success,

Dr. Lisa

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