

FROM TEAM-FOCUSED TO FIT-FOR-PURPOSE IN ONE YEAR

Developing organizational agility beyond the team level
with the Kanban Maturity Model

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Executive Summary

The Management Information Systems (MIS) Discipline of the Finance area is the pioneer in adopting Agile work methods at BBVA. By the end of 2017, more than thirty project teams from five programs were introduced to Agile. Business as Usual (BAU), which occupied the largest part of the area's capacity, was relegated to a secondary position. However, it was affecting the execution of a number of projects. The Discipline Leader and the Program Managers requested effective practices for managing both projects and BAU, as well as the dependencies among the teams.

Within one year, five MIS programs evolved to achieve systematic, customer-driven management of projects together with BAU. Furthermore, the Rentability program introduced portfolio management of their projects and started planning new work based on a better understanding of their capability and work in progress. The Core Data program reached a quantitative understanding of their demand and capability and defined service levels. In addition, they developed concrete improvement initiatives and now track them consistently using appropriate indicators.

The Kanban Method and the Kanban Maturity Model are being used as guidelines for driving this evolution.

At BBVA we seek to improve continuously, focused on our values: "Customer first," "Think big," and "We are a team." Therefore, we decided to look at how KMM could help us achieve our goal. After a few months, we have proof that it gives us valid guidance on how to improve our level of customer service.

—Juan José Gil Bilbao

Getting Started with Kanban in the Finance Area

BBVA is one of the world's largest international banks and a pioneer in introducing Agile methods in the global banking sector. In 2014, the bank initiated the adoption of Agile work methods to satisfy better the expectations of their customers. Now, in 2019, more than 30,000 employees use Agile practices on a daily basis. The entire bank is immersed in a journey of continuous learning and has transformed to enable rapid adaptation to the market.

The Finance area of BBVA was one of the first non-IT areas to initiate their Agile transformation. Five Programs were initially involved in the endeavor.

Each one of these Programs runs in parallel two types of activities:

Running projects and services that require a high level of domain knowledge and must meet strict deadlines needs fast decision making and flexible management.

- Business as Usual (BAU) services to other business units within the bank, the largest part of their business
- Projects for internal or external customers

Both BAU and projects require deep domain knowledge. Therefore, as often happens in knowledge work, some activities depend heavily on individuals with specific expertise.

Moreover, particularly in the Finance area, all services and projects must comply with regulatory requirements, meet strict deadlines, and deliver high-quality results.

The need to increase the success rate of their projects and develop higher flexibility in managing their BAU services caused Luis Garín, Director of Management Information Systems, to introduce Agile methods in the in the beginning of 2017.

For approximately a year, fifteen project teams (out of more than

thirty) adopted Scrum practices and started working in a relatively autonomous manner. One program only, Core Data, started using a simple kanban board for visualizing their work (see Figure 1).

Project teams were demonstrating good results and in general were positive about the new work practices.

Nevertheless, the Program Managers had some concerns related to the transformation of the area as a whole. The projects were a small proportion of all the work that was carried out, and it was not clear to them how BAU should be managed in parallel with projects, especially where there were strong dependencies on individuals with certain expertise. Therefore, the overall perception was that although Scrum was appropriate for project teams, more practices would have to change to become a true Agile organization. And the approach to meeting this goal was not yet clear.

Challenges

Building an Agile organization entails a lot more than having project teams apply Agile practices. It requires connecting all the teams delivering products and services into a fully synchronized entity that meets customer expectations in a predictable and sustainable manner.

From this perspective, transforming the MIS programs into an Agile organization presented several challenges, described as follows.

Effective management of BAU

About eighty percent of the business is BAU. This comprises multiple types of services (information requests, incidents, recurring reporting, audits, and so on), the demand for which comes from a variety of sources in a planned or unplanned fashion.

However, very little was done to improve the management of BAU because the focus was on selected projects, leaving the majority of the work unaffected by the new Agile practices. Only the Core Data program started with Kanban because they were involved in the project work of all programs.

Overburdening

Many people have been involved in both projects and BAU for years and possess valuable domain knowledge. Accelerating project development while maintaining the same BAU workload led to a significant overburdening of knowledgeable people, resulting in unforeseen delays of affected projects or services.

Managing dependencies

Agile was taught as practices for teams. Managing dependencies between teams, between project teams and BAU, and between operational and strategic levels continued to be done in an ad hoc manner. Therefore, waiting on others often produced long delays. In addition, priorities often changed during two-week time boxes known as “sprints.”



Figure 1 Initial kanban board of Core Data

From a systemic point of view, the project teams were increasing their performance while the other parts of the system were functioning as

to carrying out all work was growing. Dependencies needed to be resolved quickly to produce observable global improvements in performance.

“More has to be done for improving the management of processes (BAU). Agile practices are still too focused on projects.”

—Nagore Bilbao, Core Data Program Manager.

before, and there was very little visibility on the underlying dependencies. Viewed at a holistic level, little improvement was evident. The need to avoid local optimization and bring a balanced and sustainable approach

Dedicated flow management tool
Having plenty of white boards with sticky notes and a collection of tools that some teams were experimenting with was not enough for the effective and coordinated management of the

multiple projects and services that the area was delivering. There was a need for a proper tool that enabled

faster and better feedback about the actual status of the ongoing work and making decisions supported by

data, as well as for identifying further opportunities for improvements to processes.

Initial Appraisal of the Situation Based on the Kanban Maturity Model

At this point, Teodora Bozheva joined the teams of coaches facilitating the Agile transformation of the area. At the time, she was working with David J Anderson on defining the Kanban Maturity Model (KMM). She used her knowledge and experience to help extend BBVA's methodology so that the Finance area could evolve further toward organizational agility.

Juan José Gil Bilbao, Agile Ambassador of the Finance area, delved deep into the model to see how well it addressed the needs of the area and ensure that its intent was fully aligned with the bank's global initiative goal, namely developing into an Agile Organization.

Teodora did an appraisal of the current situation in the area using KMM. It revealed characteristics typical of a team-focused organization (maturity level 1), summarized as follows.

Visualize

- Partial visibility on the work to be carried out

Visual boards were used in the projects that were applying Scrum. However, service work (BAU) was visualized only in the Core Data program. The rest of the programs were not visualizing service work. This significantly reduced the shared understanding of what the real workload and work situation was.

Limit WIP

- Work-in-progress (WIP) limits not established for any team

The systems managed by the teams were congested. Little or no focus was placed on finishing work and limiting WIP to enable flow.

Manage Flow

- Lack of understanding of the end-to-end workflow

- Frequent interruptions and priority changes
- Blockers and re-work not registered and managed systematically
- Lack of quantitative understanding of demand and capability of the teams
- Predictability of the projects dependent on external teams very low; often, deadlines for projects and services met as a consequence of unsustainable extra effort from a few dedicated individuals

Make Policies Explicit

- Agile practices and ceremonies introduced to project teams but policies for managing work (e.g., based on their type or impact of delay) not defined

Individuals were focused on managing tasks, not really on deliverable work items.

Feedback Loops

- The following meetings were held: Daily, Sprint planning, Demo, Retrospective, and Backlog refinement.

Improve Collaboratively, Evolve Experimentally

- Retrospective meetings were used for discussing problems in the processes. Nevertheless, few improvements had been identified, and very little process experimentation had taken place.

Culture

- **Achievement:** Everyone was doing their best to accomplish the work and meet expectations.
- **Transparency:** It existed in teams using visual boards. People participated openly in daily meetings.
- **Collaboration:** People were collaborating to the extent that was possible—within local teams. Because

a lot of knowledge was concentrated in several people, strong dependencies on these individuals were created. Under the pressure of the high volume of work, jobs were typically assigned to individuals with appropriate qualifications and conducted without collaboration.

- **Flow:** Blockers were managed in an ad hoc manner. Few people were applying the principle of “Stop starting, start finishing.” Little attention was paid to a work item's age.

In a services business where meeting deadlines and regulatory requirements is crucial, Kanban outlines the practices and principles that allow you to manage changing demand effectively and ensure predictable delivery of customer value in a sustainable manner.

- **Customer service orientation:** There were no key performance indicators (KPIs) defined. Rather, managers were focused on optimizing resource utilization instead of improving service delivery.

Figure 2 summarizes the project management situation at the end of 2017.

BAU services must meet strict regulatory requirements and fixed deadlines. Therefore, project team members who were also working on BAU were suffering from overburdening and/or causing delays in their projects.

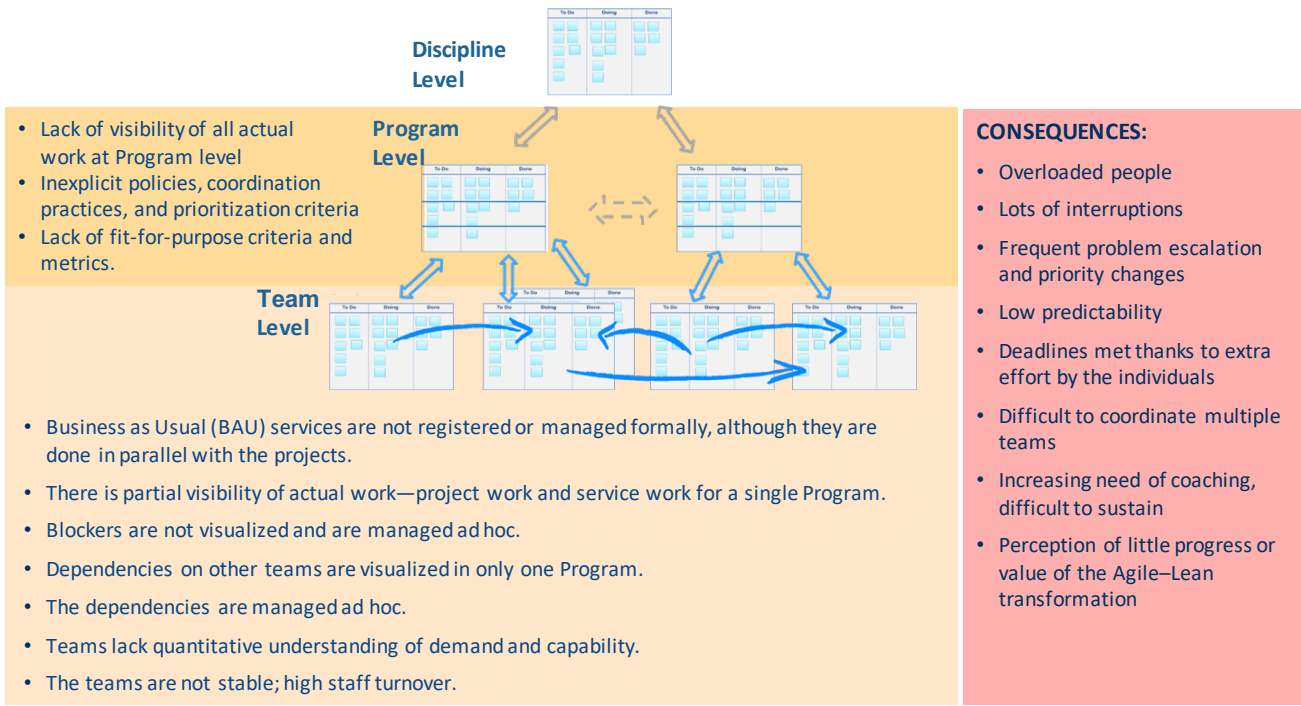


Figure 2 Summary of initial situation (December 2017)

Objective

The objective of the Agile transformation of the bank included the following three aspects:

- Time to Market: On-time delivery of value to customer

- Adaptation to change: Ability to adjust to changing demand by means of frequent feedback
- Transparency, collaboration, and continuous communication within business areas and between them

In terms of the Kanban Maturity Model, we had a ML1 Team-Focused organization with the goal of becoming a ML3 Fit-for Purpose organization (see Figure 3).

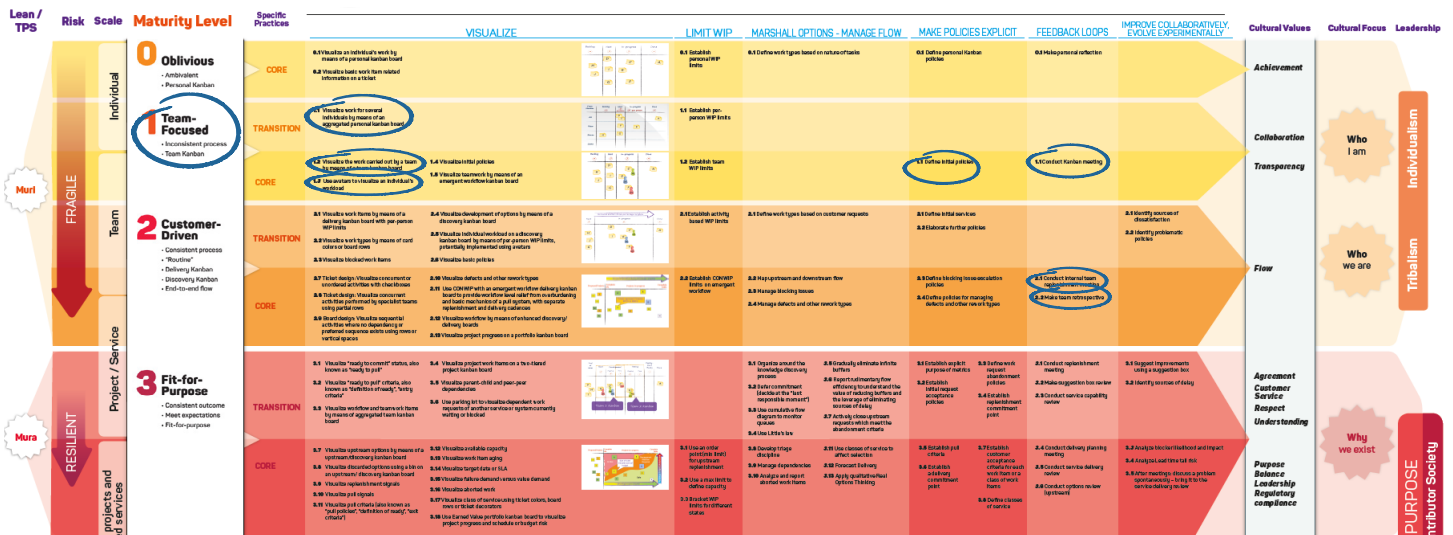


Figure 3 Initial situation (KMM model)

Toward a Fit-for-Purpose Organization

Two main challenges were associated with accomplishing the bank's objective:

- The purpose for the Agile transformation of the bank was defined rather generally, and making it more

concrete required obtaining a deeper understanding of the demand and capability of the service teams.

- The service orientation and the concepts of managing flow had

not been introduced as part of the Agile training; therefore, time was needed to introduce and incorporate them into the routines of the teams and program managers.

The first step was providing workshops for the Program Managers and the teams to introduce the basic Kanban practices from maturity level

2: focus on flow, managing blockers, re-work, lead time per work type, and dependencies between teams. After that, periodic working sessions

with the Program Managers focused on their particular programs. Monthly joint meetings of the five Program Managers were held as well.

Service-Orientated Management at Core Data

The Core Data program, led by Nagore Bilbao, is a cornerstone for most of the bank's projects and services. All their clients expect predictability as well as fast, on-time delivery. Ensuring this requires a good understanding of the services they provide, the patterns of the demand, and the team's capability.

The **types of work** they are developing are as follows:

- Information requests
- Incident resolution
- Business as Usual (recurring requests)
- Project work (involvement in projects)
- Change requests

They updated their kanban board to reflect the work types and the corresponding workflow phases (see Figure 4).

The concept of flow, the benefits of limiting WIP, and of finishing work before starting something else was new for these teams. These concepts had to be frequently explained, rehearsed, and reiterated. Still, the big

challenge was collecting data about their demand and capability. People interpreted this data collection as a new means of control, one not aligned with Agile values. Instead, people saw it as a harsh intervention that threatened their autonomy.

In several meetings with the teams, Nagore promised that all collected data would be used only to obtain a better understanding of their processes so as to improve the services they provide. She kept her promises.

Gaining the trust of the workforce was a key factor in the success of this initiative.

They started collecting the following **data** in a document that came to be known as "Nagore's Excel":

- Type of work
- Customer who requested it (area of the bank that initiated the request)
- Date and time of receiving a work item
- Date and time of starting work on the work item
- Date and time of delivering the work item

- Amount of time the work item is being processed by another department
- Person who works on the work item (in case a further analysis is necessary)

While it may seem a trivial task, collecting good quality data takes time and effort. Three months into collecting the data, Nagore and Teodora did the first data analysis.

One discovery was that part of the demand was in fact false demand, that is, work they should not do. That led to the first update of the policies—namely, clarifying what services they as a business unit were meant to provide and who their customers were.

The data also revealed that delivery times were long because work items were blocked for extended periods. So, "blocked time and causation" became the next data point to be collected.

Since then, Nagore and Alberto Blanco, in his role of Process Owner, analyze the data monthly and then

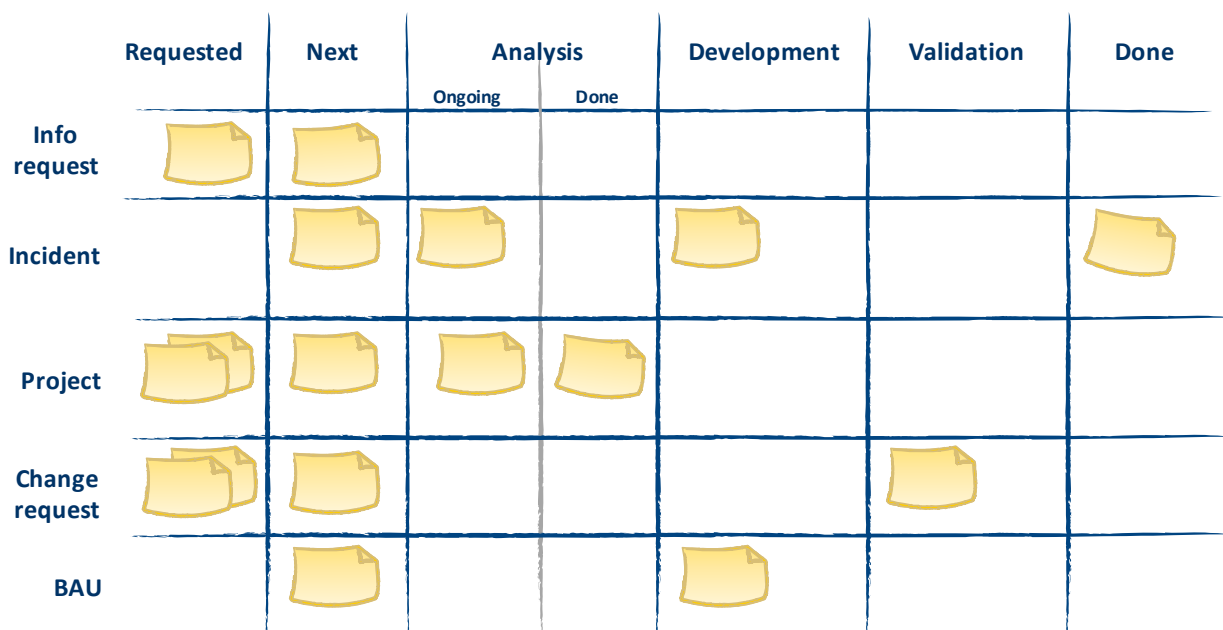


Figure 4 Core Data kanban board

“We developed the capability to manage based on data, not on perceptions. This helps us to foresee future needs and resolve blockages due to dependencies on other teams in a fast and simple manner.”

—Nagore Bilbao, Core Data Program Manager

present the results to everyone in the Program, including those from supplier companies. These meetings have brought several positive effects:

- Gaining trust that all collected data is used for improving the service
- Strengthening the understanding of the process (demand, effects of WIP, and benefits of focusing on finishing work before starting new work), service orientation, and using data for improving the flow
- Obtaining feedback from people directly involved in doing the work and creating unity around the goal of the initiative

In mid-2018, the physical boards and the Excel spreadsheet were exchanged for an electronic tool. This transition required some adaptations

of work practices but introduced some benefits related to automatic data collection.

By this point, there was a good understanding of the key aspects of the **demand and capability** of the program:

- Who the customers were
- What they requested
- Patterns of arrival and distribution of demand per type and period of time
- Distribution of the delivered work items per type and period of time
- Distribution of the delivery time (lead time) per type of work or service
- Blockage time distribution

This understanding of their work processes allowed them to define

their first improvement initiatives, namely

- Establish acceptable and reachable **service levels**
- Reduce the time spent in Agile ceremonies
- Reduce delivery time, starting with reducing blocked time and trimming the tail of the delivery time distribution

Alberto was tracking these objectives bi-weekly. Service levels were defined, and time spent in ceremonies reached an acceptable level (see Figure 5).

Reducing delivery time is an ongoing process, but it has improved.

The Core Data teams made great progress in 2018. They evolved from workers who believed that data collection was a means of corporate control to workers who understand what services they provide and what workflows produce them as well as ones who take an active role in improving the process.

In the autumn of 2018 Nagore’s teams were proud to share their experience with other BAU teams within their own and other business areas.

Service Levels Baseline

Type of work	Demand (per week)	Capability (per week)	Lead time (days)
Information requests	5–20	2–19	0–2
Incidents	2–12	1–10	1–15
Change requests	1–11	5–13	1–13

Intervals with 80% of confidence

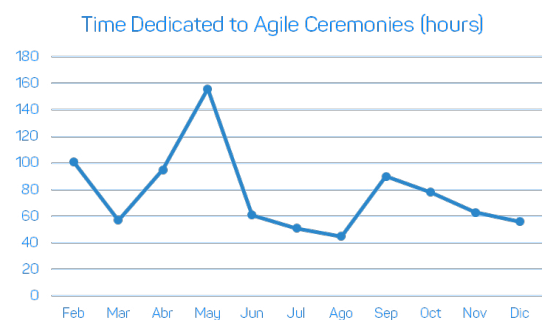


Figure 5 Service Levels baseline and time dedicated to Agile ceremonies

Service Orientation in Product Development

A common misconception is that Kanban is appropriate for services but not for product development. Nowadays, however, product development is rather embedded in complementary services. Think about buying a product from an online or on-site store, going to a pizza restaurant, ob-

taining a report from public agency, and so on. Do you buy the product or the service? Can you get the product without the service?

Service orientation in product development is about applying the same thinking as in service delivery to the product development process.

Some parts of the process are without a doubt services, for example, revision, approval, and validation. Others are services that deliver a part of the product, for example, customer requirement specifications, implemented features, and user documentation.

Therefore, a product development process can be seen as a sequence of services provided by groups of individuals with necessary qualifications. Delivering a valuable product in a predictable, timely, and sustainable manner depends on the proper coordination of related services, hence the policies for managing these services. This is summarized in the Kanban Service-Delivery Principles, as shown in the box, right.

In the second quarter of 2018, Elixabet Osa, Program Manager of the Rentability Program, started using a **simple portfolio kanban board** for managing the projects in her program. As a Program Manager accountable for the results of three projects, she needed to see the essential information about her projects' status in a single place. Moreover, she wanted to align the overall view of work in the program to enable product owners to make better prioritization decisions. She wanted to see the entire program functioning as a well-synchronized entity.

Some of the teams providing service to the development of these projects were in Madrid, so the portfolio kanban board was located there. The synchronization meetings were held bi-weekly in Madrid or via Webex, exchanging photos of the portfolio board. For the first time in their practice, the Product Owners were exposing the status of their projects and were openly discussing the impediments they were experiencing and ideas for possible reso-

Conclusions

In only one year, two programs of the Finance area of BBVA have evolved from team-focused management to service-oriented entities with deep understanding of their real capability and the types of services they are delivering to their customers.

Quantitative understanding of demand and capability and related further improvements

Kanban Service-Delivery Principles

Your organization is a network of interdependent services with policies that determine its behavior.

Therefore:

- Understand and focus on the customer's needs and expectations.
- Manage the work; let workers self-organize around it.
- Regularly review the network and its policies to improve outcomes.

lutions. The Sponsor of the projects, Patricia Bueno, was participating in many of these meetings too.

Running **bi-weekly meetings involving three levels of management** (Sponsor, Program Manager, and Product Owners) was a new experience, and initially it was quite time consuming, lasting about three hours. However, they were committed to reaching a shared, deeper understanding of the development process and the dependencies between the projects; their goal was to achieve a steady flow of value and aligned prioritization of features in all the projects. Lorena Caaveiro's support as an internal coach and facilitator of this initiative in Madrid was essential to meeting that goal.

A few months into the process, the group realized that these tough-in-the-beginning meetings created a real sense of belonging to a team at

the Program level, which was helping them to progress further, resolve **blocking issues** and **dependencies** faster, allow **joint planning** of projects, and come to consensus on **common objectives** for the program.

They also started collecting work-related metrics, such as the number of features of a certain size (S, M, or L) that were developed in a two-week period. This facilitated better planning of projects as well as of upstream work prior to delivery commitment. This information allowed them to focus on preparing just enough feature specifications to feed the next two-week period.

By the end of 2018, the portfolio management of the Rentability program transitioned to an electronic tool. This change had its own challenges, but in general, it facilitated the visualization and management of dependencies between the portfolio board and the project teams' boards as well as efficient portfolio meetings. The synchronization meetings now take only about an hour.

The other three programs started applying the same practices for managing their BAU and projects. The experience gained in the Core Data and Rentability programs facilitated successful implementation of Kanban practices in each one of the contexts.

In December 2018 the first actions for integrated management of projects across three programs—Core Data, Rentability, and Reporting Network—took place.

four initiatives to improve their fitness for purpose.

Flow-oriented project portfolio management

The Rentability program is managing successfully the project portfolio for the area using shared policies and prioritization criteria. They also plan multiple projects based on a quantita-

tive understanding of their capability to deliver product features.

Flexibility in managing projects and BAU

Both programs report higher flexibility in managing their BAU and multiple projects as well as stronger unity and commitment by the team members.

Three more programs, which started after Core Data and Rentability, have evolved from team-focused to flow-oriented management of their BAU and projects. The approach taken using the Kanban Maturity Model has proven to be repeatable.

Managing flow across programs

For the first time at BBVA, an initiative has been started to manage wider, end-to-end workflows involving teams across different programs.

The Kanban Method and the Kanban Maturity Model have been used for guiding this evolution with full compliance within the Agile Transformation initiative of the bank. Referring to the model, this progress can be described as advancing from ML1:

Team-Focused to entering ML3: Fit-for-Purpose organization (although it is not yet completely stable).

Leadership

The leadership and dedication of several people has been an additional key factor in achieving the result. Juan José Gil, Agile Ambassador for the area, looked for pragmatic guidance to boost and facilitate adoption of Agile in the Programs. He followed closely all activities of the program managers, contributing his valuable understanding of their organizational context and thus smoothing the progress of the entire initiative.

Nagore Bilbao and Elixabet Osa introduced the customer-driven, service-oriented approach to managing work in their programs. Gaining individuals' trust and overcoming team members' perceptions that the new practices were intended to tighten control and their fears that the collected data might be used against them was a serious challenge. Both worked closely and transparently with their teams, involving them in

reaching understanding of the problems in the workflow and making decisions based on the collected data.

In mid-2018 Nagore and her teams developed four improvement initiatives based on analyzing the data from their services. They are currently working on them.

The entire initiative has been actively supported by the Discipline Leader, Luís Garín. He aspires to see MIS as an organization that consistently and sustainably delivers high-quality results on time. In early 2019, he introduced an operations review for the five Programs at which they review issues and risks in the wider flow, beyond the team level.

The overall experience has demonstrated that introducing service orientation and flow thinking is key for increasing agility at the program level and for allowing an organization to pursue aims such as bettering time-to-market, adaptability to changes in demand, transparency, collaboration, and continuous communication between business areas.

The journey continues. . . .

Authors



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