



SQUIRRELNORTH

THE RETURN ON INVESTMENT OF KANBAN



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CONSULTING | COACHING | TRAINING



Kanban

Global Summit 2022





**“THEY WANT
TO SEE A
BUSINESS
CASE
BEFORE WE
CAN
PROCEED!”**

BIG GAINS MODEST INVESTMENT



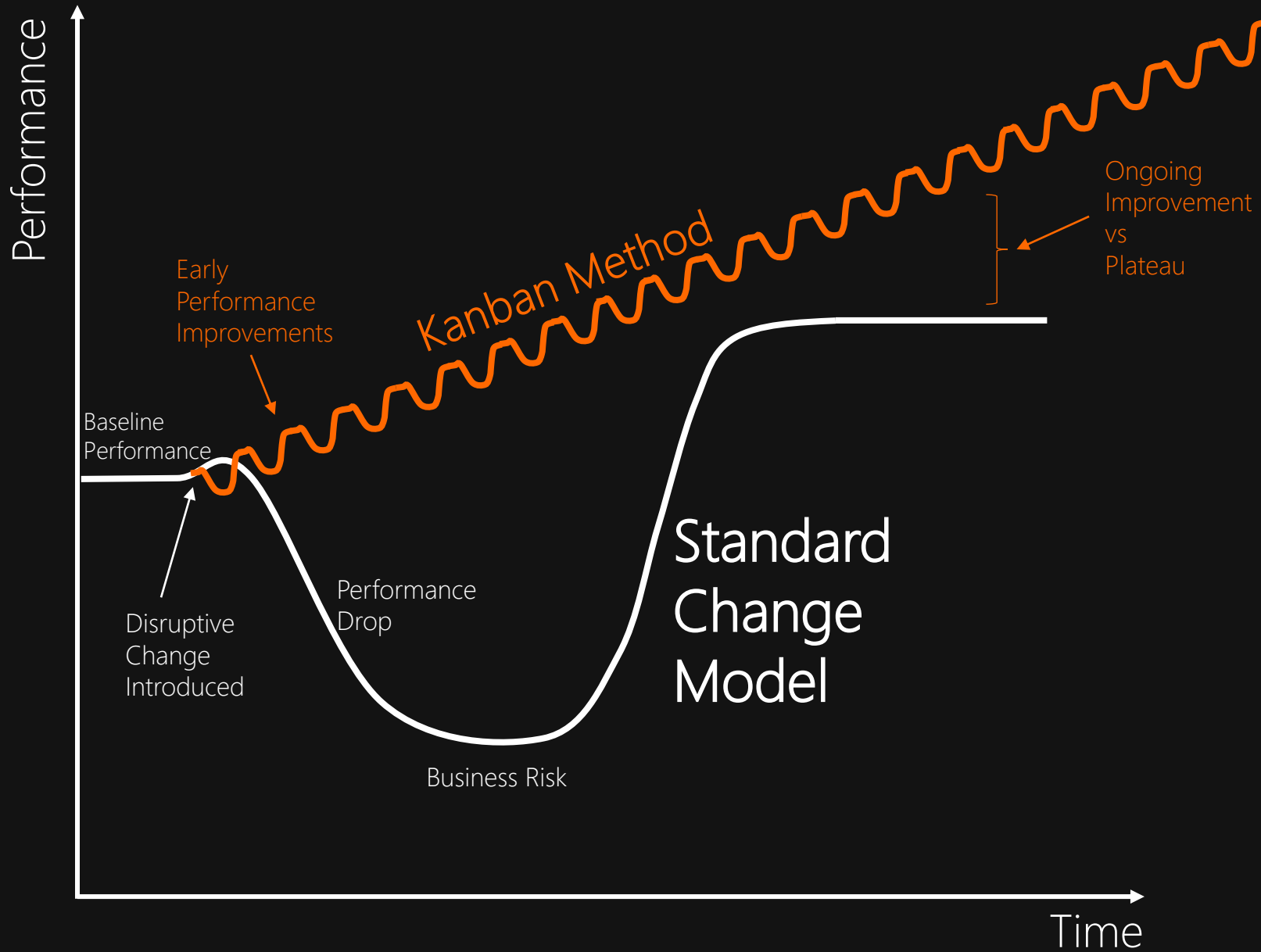
**RETURN ON
INVESTMENT**

$$= \frac{\text{BENEFIT}}{\text{COST}} \times 100$$

← Big number

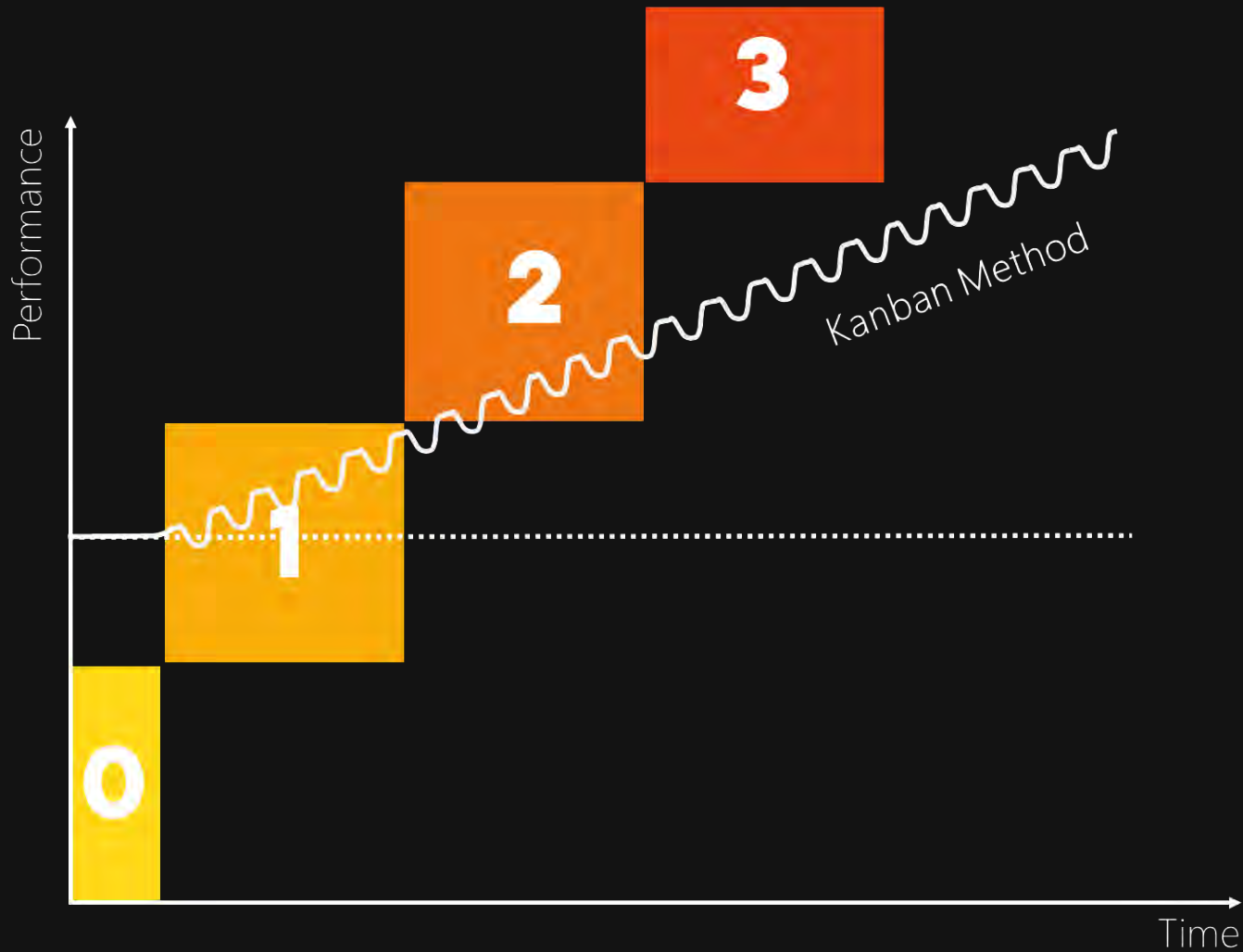
← Small number

Organizations focus too much attention on the denominator. **The numerator is where the real action is!**



KANBAN

Early & Ongoing Improvements.
Prevents Plateaus.
Prevents regression.
Manages risk.



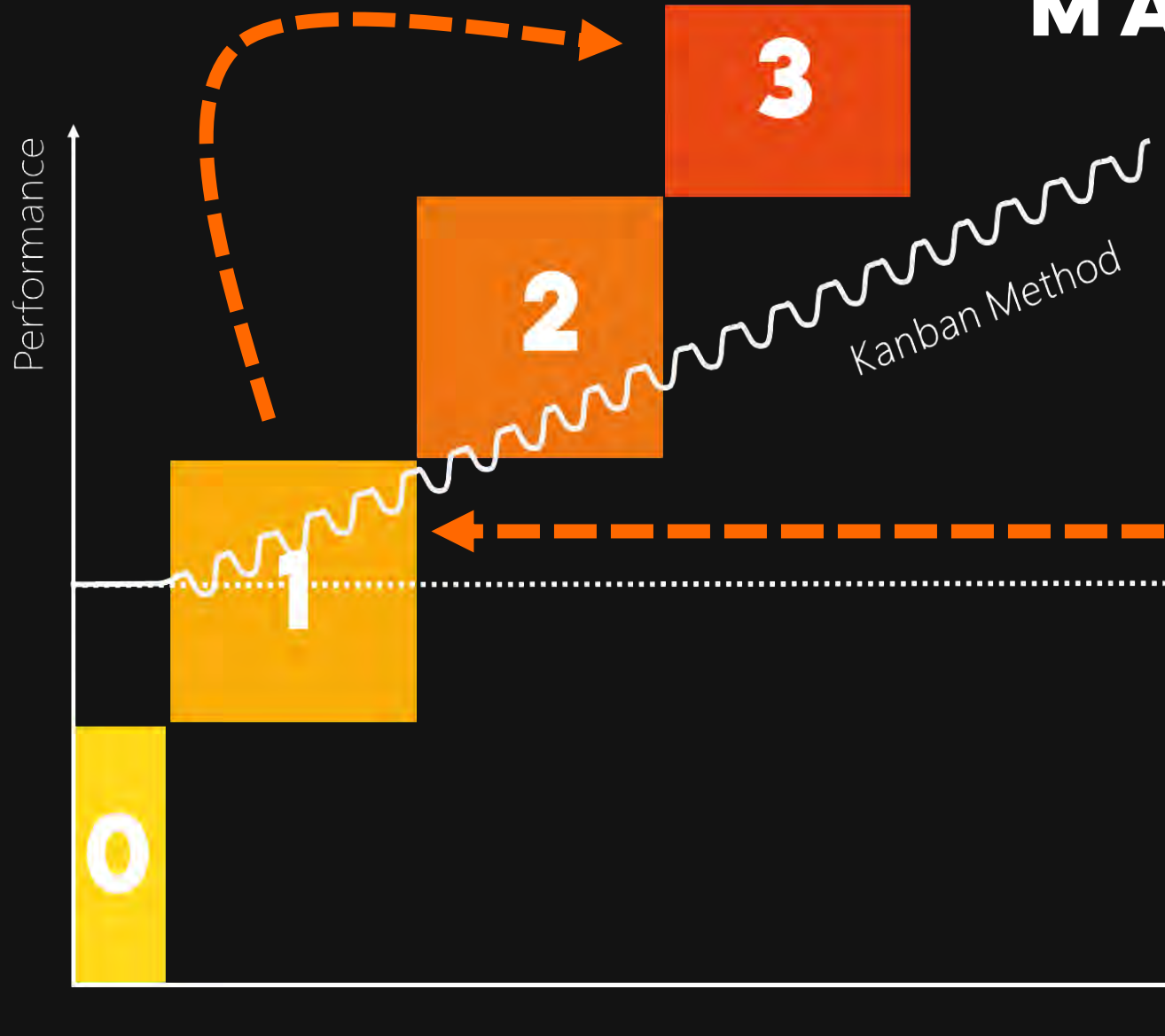
- 0 Oblivious
- 1 Team-Focused
- 2 Customer-Driven
- 3 Fit-for-Purpose
- 4 Risk Hedged
- 5 Market Leader
- 6 Built for Survival

KANBAN MATURITY MODEL

Kanban implementations alongside an organization going through improvements to its maturity.

No shortcuts.

ORGANIZATIONAL MATURITY



Without adequate expertise support, frequently plateaus

THE RETURN ON INVESTMENT

VERY EARLY RETURNS

Let's explore the ROI
at this level. →

0 Oblivious

1 Team-Focused

2 Customer-Driven

3 Fit-for-Purpose

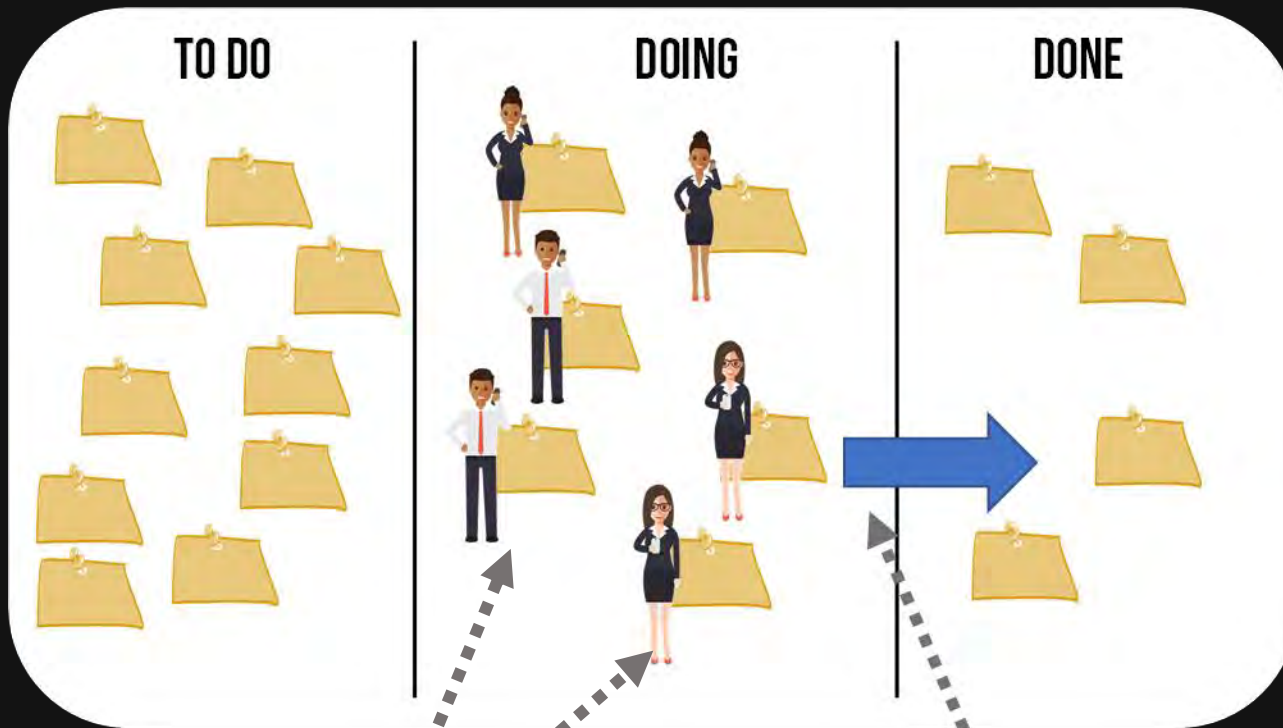
4 Risk Hedged

5 Market Leader



RETURNS OVERHEAD

VISIBILITY FOCUS & OVERBURDENING



Individuals are less overburdened.

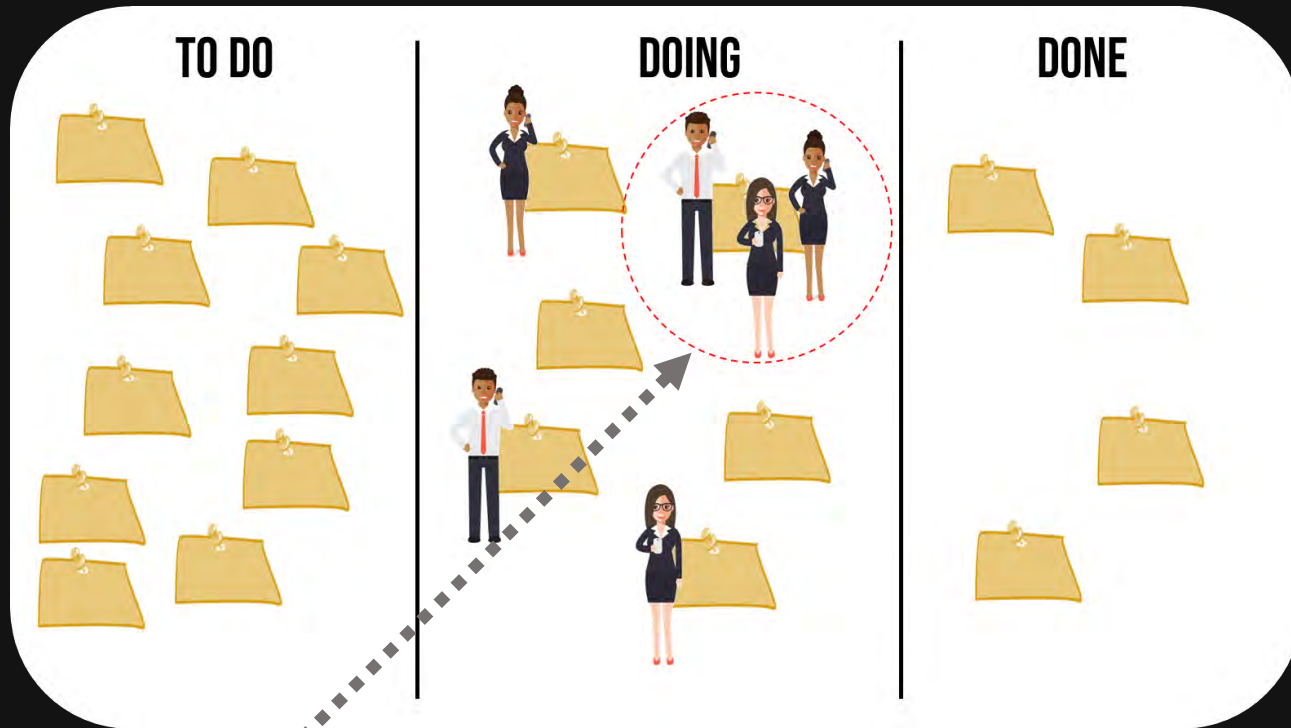
Focused outcomes.

Visibility on how busy everyone is.

Increased focus of reducing concurrent work has the opportunity to avoid overloading people.

Focus reduces unproductive and expensive overtime, and allows quality levels to be better managed.

INCREASED COLLABORATION ON A TEAM

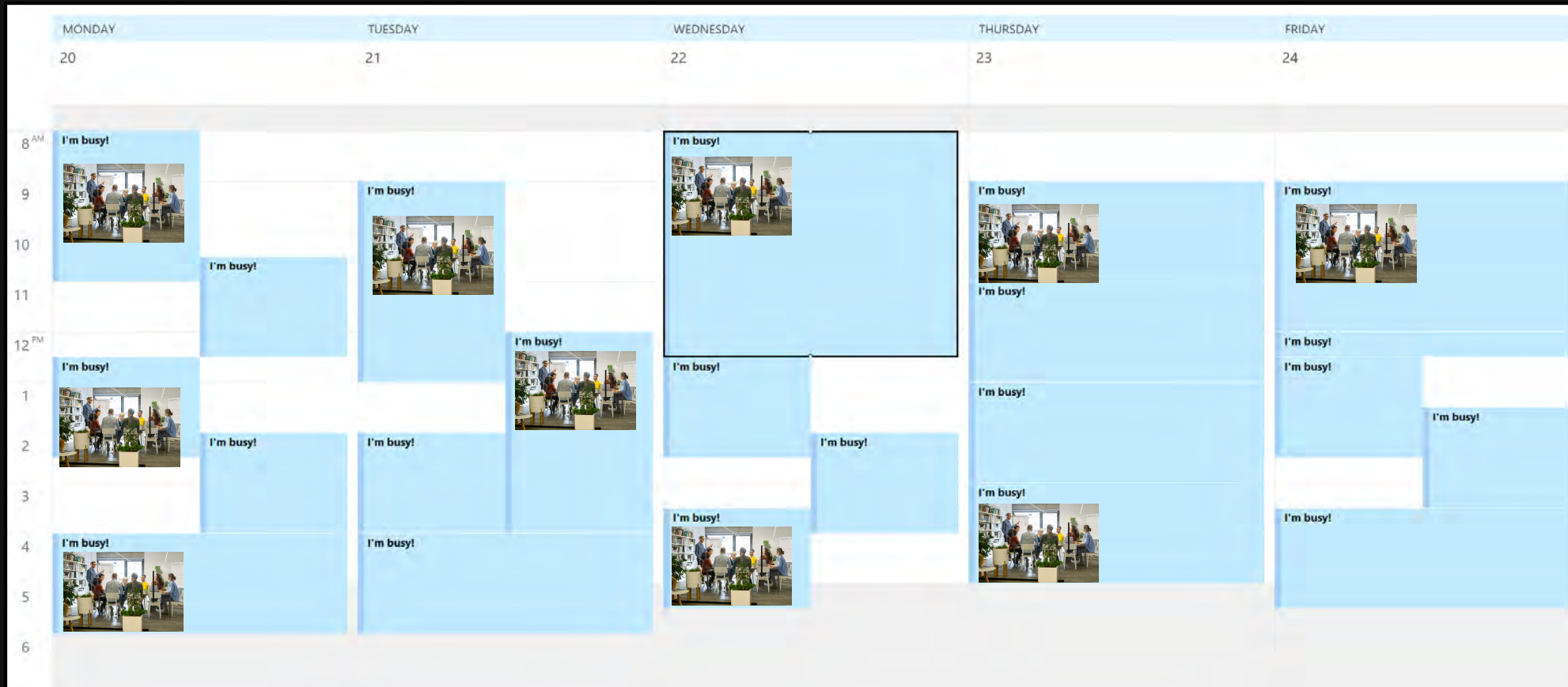


Collaboration to keep work that needs to progress flowing.

The visibility made available by a board offers the opportunity for increased **collaboration between people**.

People can converge around the board, **see who needs help** and increase the chances of collaborative opportunities.

OUTLOOK BLUES!



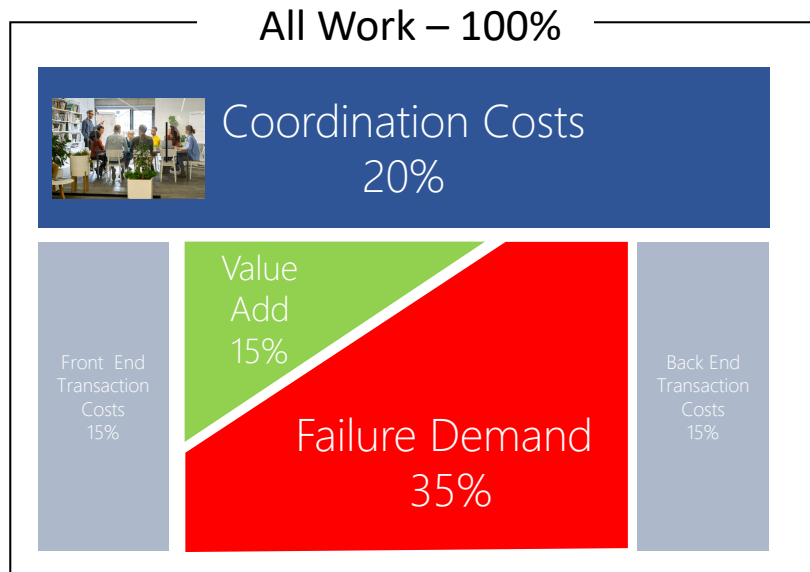
HIDDEN IMPACT OF OVERBURDENING LACK OF FOCUS

“It’s time for
another
status
meeting!”

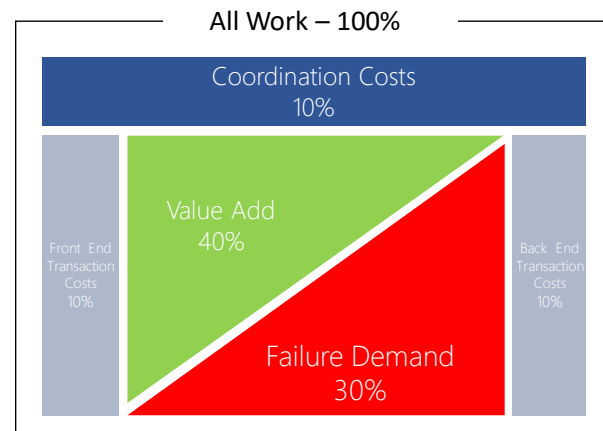


COORDINATION COSTS UNDER CONTROL

**KNOWLEDGE WORK HAS REVERSE
ECONOMIES OF SCALE.**



Higher Concurrent Work



Reduced Concurrent Work

The “coordination costs” of the organization is drastically reduced.

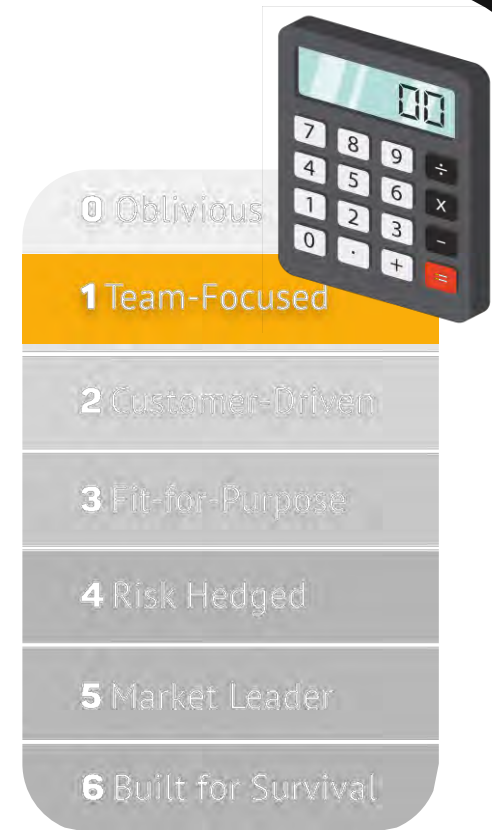
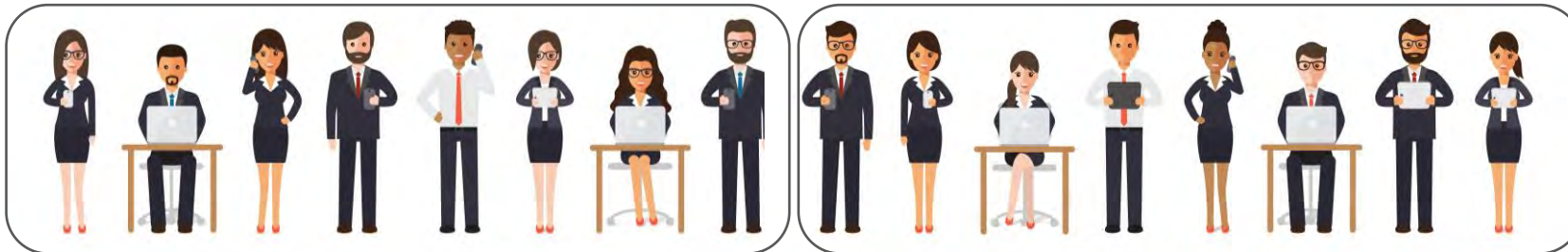
50% reduction in the cost to operate those areas using Kanban in under 6 months!

ROI

LOW MATURITY KANBAN

50% overhead reduction with ML1 Kanban.

What does that look like modeled against a department with a \$20M operating budget?



ROI LOW MATURITY KANBAN



- @ Oblivious
- 1 Team-Focused**
- 2 Customer-Driven
- 3 Hit-or-Miss
- 4 Risk Budget
- 5 Market Leader
- 6 Profit for Survival

Coordination Costs from 20% to 10% - \$2M

Coordination Costs from 20% to 10% - \$0.5M

OPERATING COSTS PORTION OF RETURN
100%



6 12 18 Months

\$2.5 M IN 18 MONTHS

* Fixed assumptions: Department budget remains at \$20M, a 10% profit margin, using lowest return numbers.in range.

THE RETURN ON INVESTMENT

OF USING KANBAN
PART 2



Let's explore the ROI
at this level. →

0 Oblivious

1 Team-Focused

2 Customer-Driven

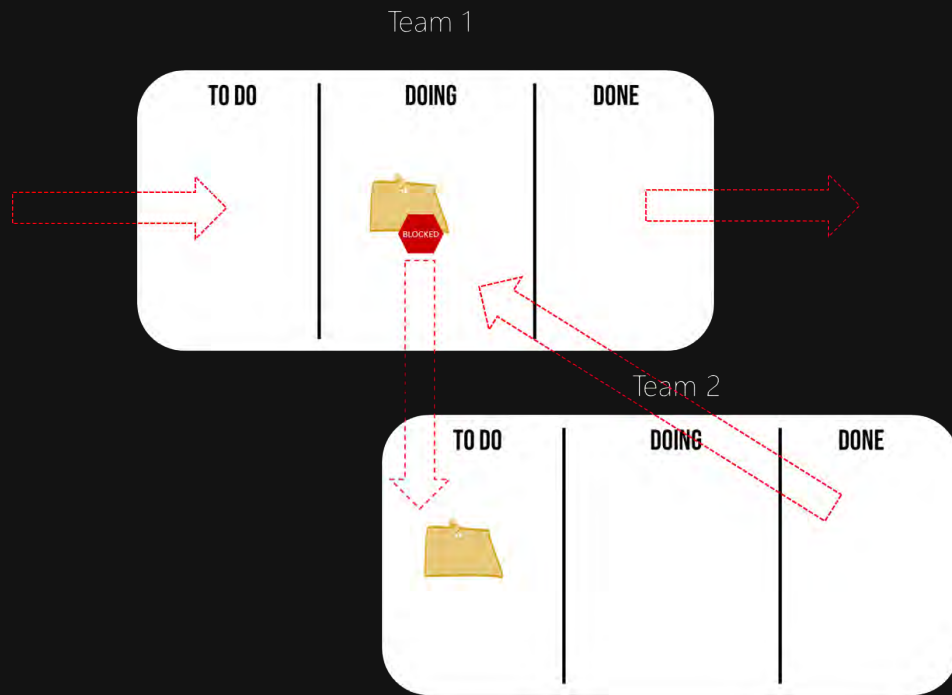
3 Fit-for-Purpose

4 Risk Hedged

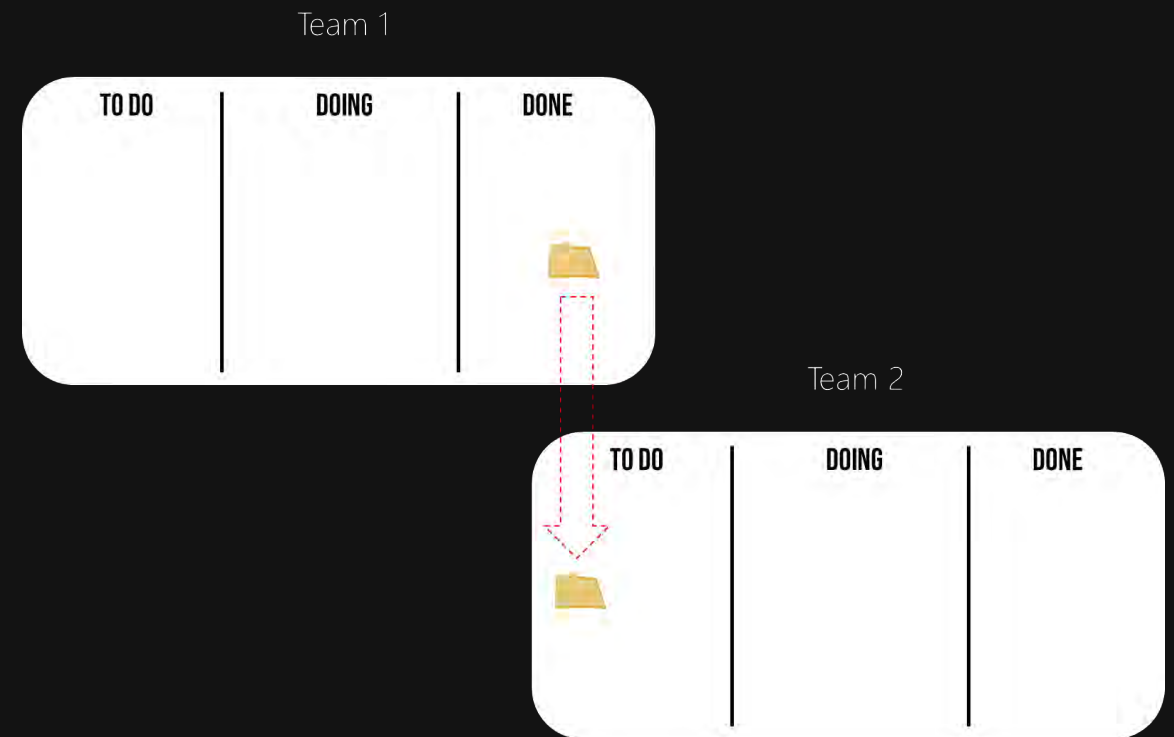
RETURNS FLOW

COLLABORATION

IN-PROCESS SUPPORT SITUATION



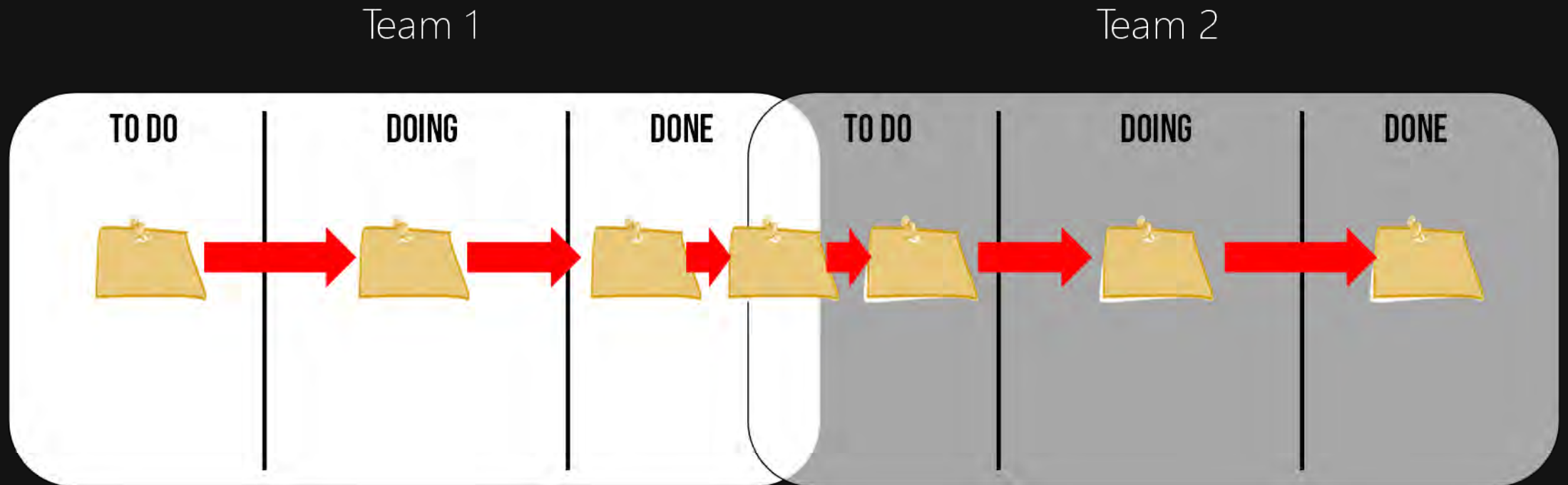
One team's "blocked" is another team's "to do"!



One team's "done" is another team's "to do"!

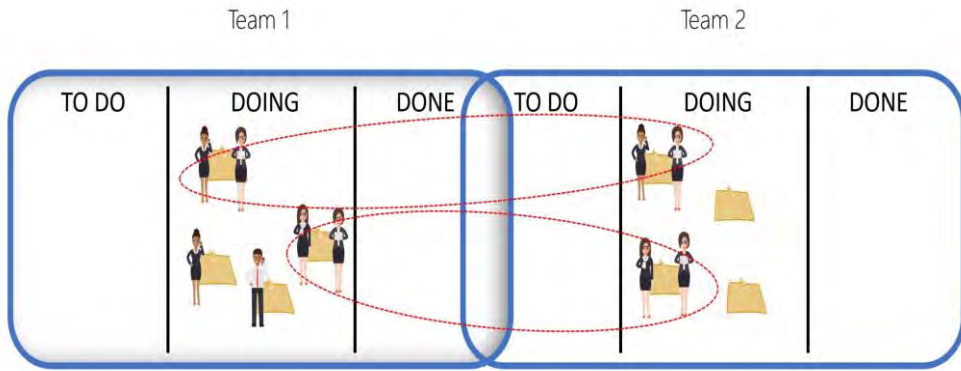
AGGREGATED TEAM KANBAN

We can visualize connected teams through a board design pattern called **Aggregated Team Kanban**.

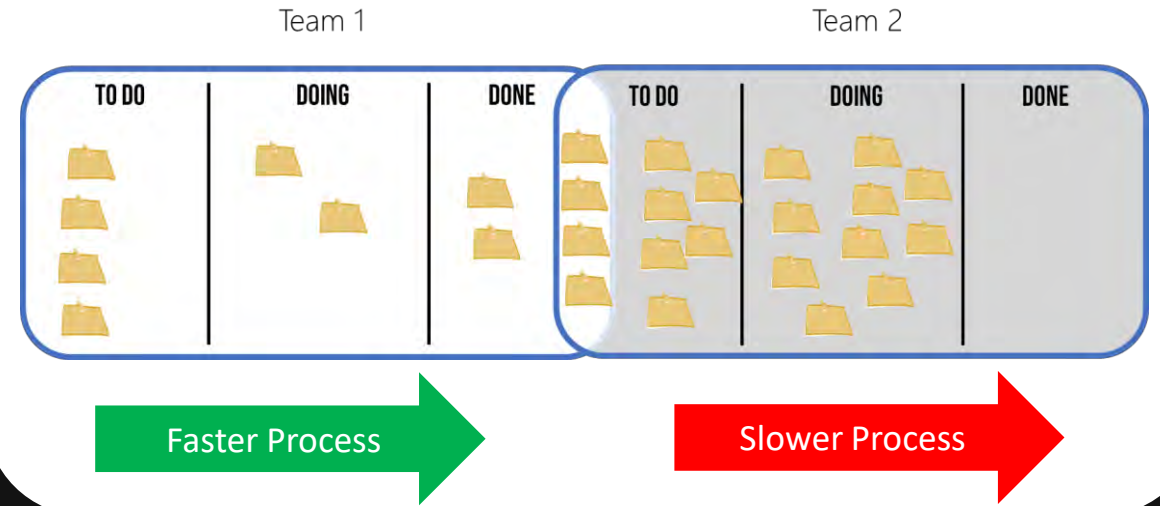


Teams have the ability to observe how their work impacts the other team and provide the opportunity to make adjustments to their process.

COLLABORATION BETWEEN TEAMS



This aggregated view allows for the possibility of collaborating across teams. This has the impact of **two or more teams operating more as if they were one unit.**



Team 1 may overloading Team 2 is visualized. This **unevenness of the flow**, once visualized gives the opportunity to manage it.

BENEFITS

FLOW BETWEEN TEAMS



Throughput Increase

Fewer items getting stuck, the volume of work reaching a “done” state begins to increase.
Up to doubling of throughput.



Reduced Time to Market

With the reduction of delays, the length of time work takes to get to done improves Lead Time.
Lead time reduction reduced between 10% to 50%.



Increased Customer Satisfaction

Providing a faster service means a fitter one. Affects customer’s selection choices in a positive way.



ROI FLOW BETWEEN TEAMS

- 0 Oblivious
- 1 Team-Focused
- 2 Customer-Driven
- 3 Stake-Focused
- 4 Risk Hedged
- 5 Critical Leader
- 6 Built for Survival



COSTS
65%

Lead Time 10% to 50% - \$0.2M to \$1M

Throughput 1.5X to 2X - \$1M to \$2M

Coordination Costs ML1 20% to 10% - \$2M to \$2.5M

GROWTH
35%



12 Months

18 Months

\$3.2M IN 18 MONTHS

** Fixed assumptions: Department budget remains at \$20M, a 10% profit margin, using lowest return numbers.in range.*

THE RETURN ON INVESTMENT

MORE RETURNS

0 Oblivious

1 Team-Focused

2 Customer-Driven

3 Fit-for-Purpose

4 Risk Hedged

5 Market Leader

Let's explore the ROI
at this level.



RETURNS VALUE

SERVICES

ENTER THE CUSTOMER



SERVICES

IMPLICATIONS



1

Customers don't care if a specific team is highly productive. They experience the network of collaborating services.

2

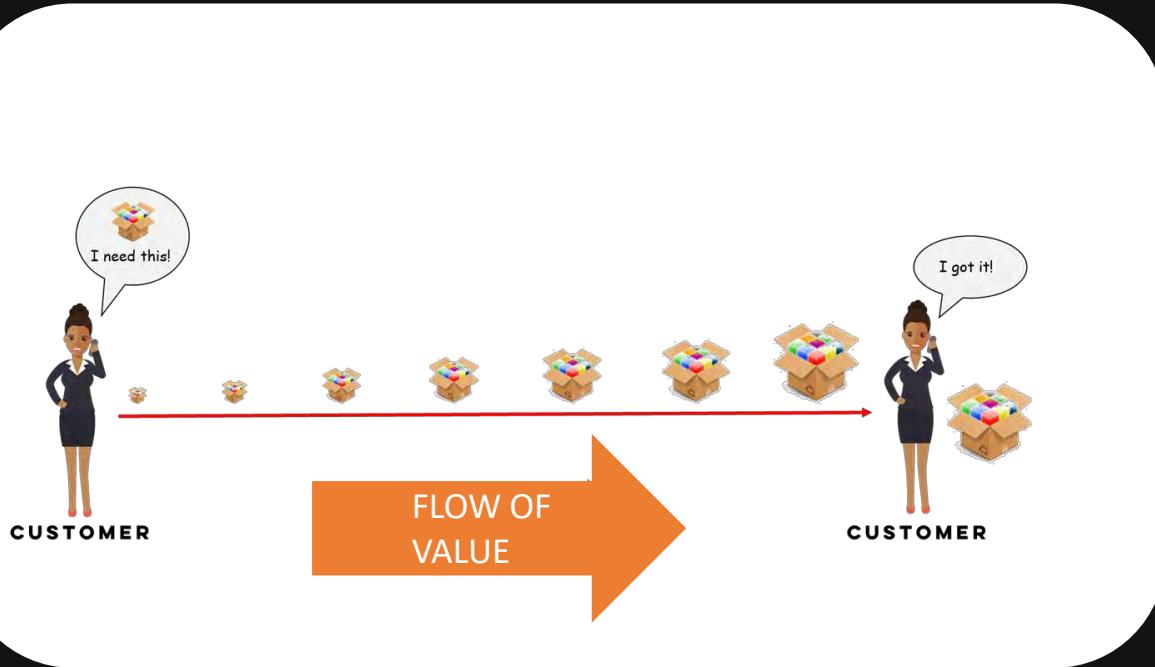
Your organization is composed of a network of these services.

3

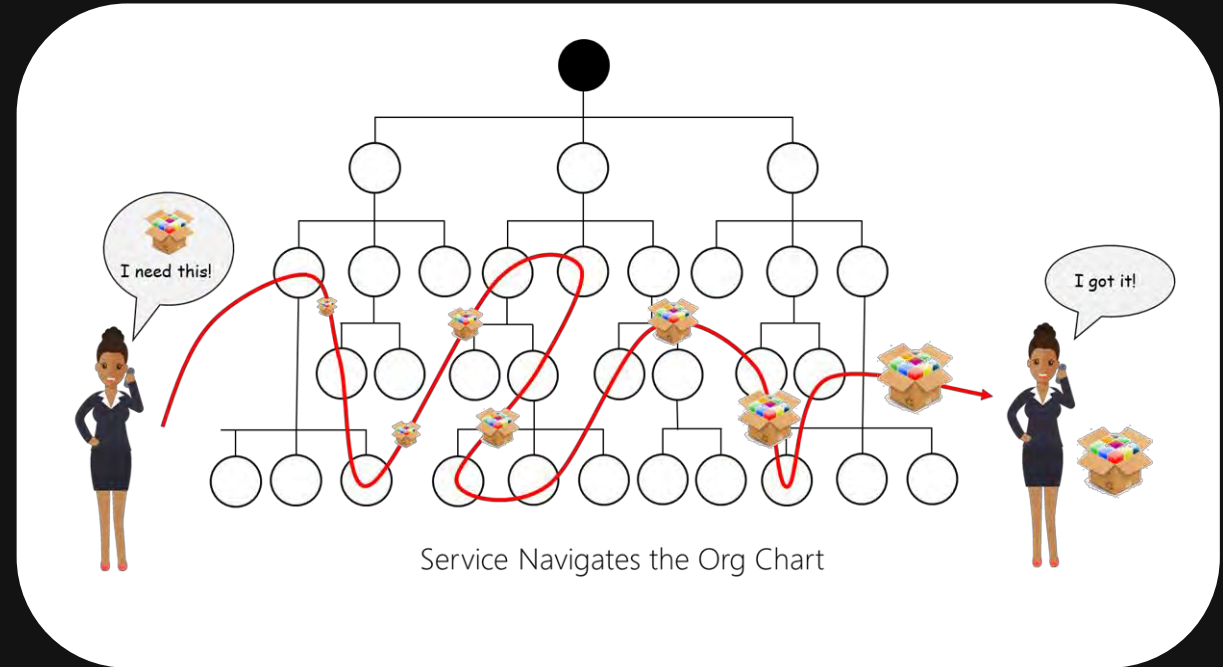
Even if you consider yourself a 'product company', it is the output of services that produce, maintain and deliver those products.

SERVICES

IMPROVING SERVICE FLOW



Is improving services as simple as ensuring the flow of services from start to finish?



Reality is usually more complicated. Services tend to **navigate complex networks**.

SERVICES

KANBAN TOOLS FOR SERVICES

CUSTOMER
NEEDS
GROWING

DEMAND



GROWING &
ADAPTING
AT A SLOWER
RATE

CAPABILITY

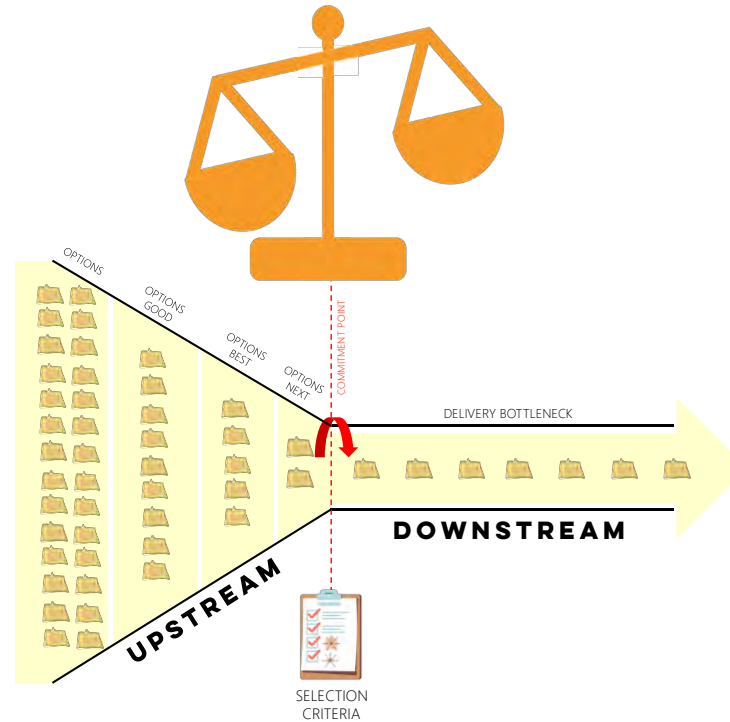
Adding to the challenge is demand continues to **outstrip our capability.**

SERVICES

KANBAN TOOLS FOR SEVICES

DEMAND SHAPING

- Cost of Delay
- Classes of Service
- Deferred Commitment
- Board Design
- Capacity Allocation
- Upstream Options
- ...150



CAPABILITY IMPROVEMENT

- Identify and Manage Delay
- Manage Lead Time
- Manage Variation
- Bottleneck Handling
- Decoupled Delivery Cadences
- Feedback Loops
- ...150

We look at managing both sides to achieve **greater balance**.
Over **150+ practices** exist to support these two goals.

SERVICES

FITTER SERVICES



Kanban experiences its highest impact, along with the economic results, **when we recognize and attempt to manage services for value.**

Customers who are getting what they need in a timely manner, among other fitness criteria, are ones that will **choose you** more often.

BENEFITS

SERVICE ORIENTATION



Less Abandonment,
More value delivered.

We choose the right options. We don't waste time and resources on the wrong things.



Reduced Time to
Market

Most delays are encountered between groups – these are now managed. *Lead time improvements within a range of 50 to 90%.*



Throughput of value
Increase

Unfinished work isn't spending a lot of time waiting in the wrong places. *Throughput can more than double.*



More Consistency

The management of delays between groups reduces sources of variability. Your outcomes become more consistent, easier to predict and *promises are kept.*



ROI SERVICE ORIENTATION

COSTS
35%

ML2 Lead Time - \$0.2M to \$1M

Lead Time Improvement 50 to 90%
\$1M to \$1.5M

ML2 Throughput - \$1M to \$2M

Throughput 2X to 2.5X - \$3M to \$5M

Coordination Costs ML1 20% to 10% - \$3M to \$3.5M

GROWTH
65%



12

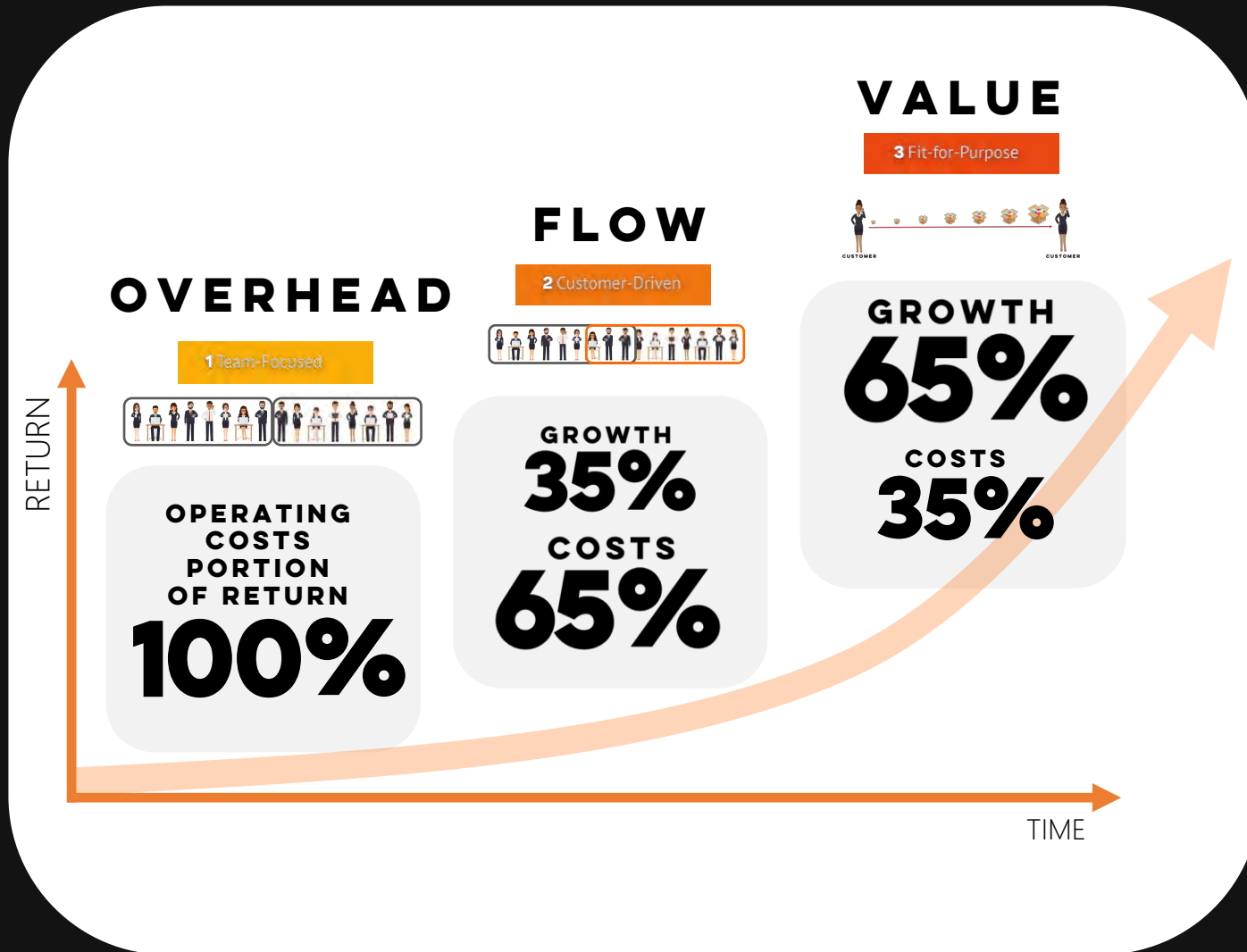
18

24 Months

\$8.2M IN 24 MONTHS

** Fixed assumptions: Department budget remains at \$20M, a 10% profit margin, using lowest return numbers.in range.*

ROI PATTERN



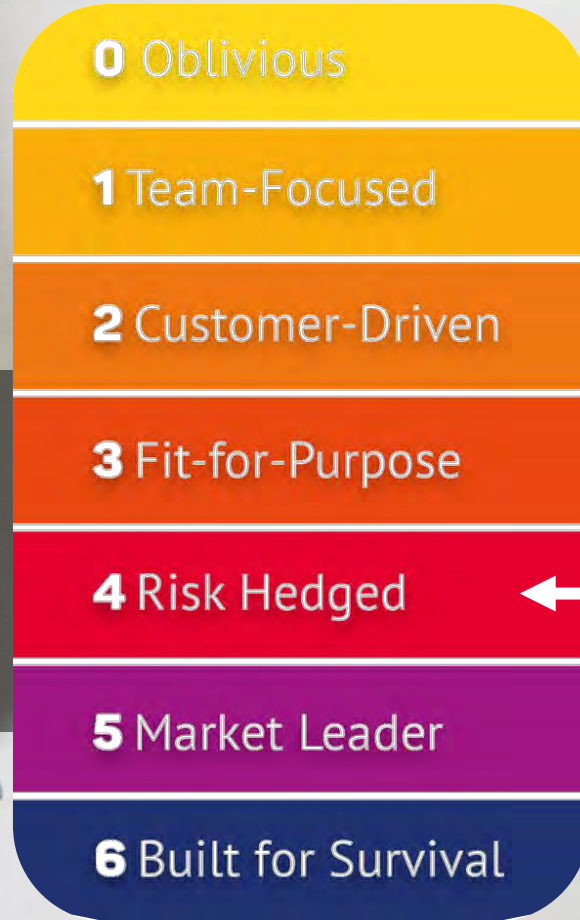
Returns are early.
Returns are sizeable.

Early returns are from
managing costs.
Later returns are from
business growth.

Growth eclipses cost
management.

THE RETURN ON INVESTMENT

MATURE RETURNS



Let's explore the ROI of Kanban at this level and beyond.

RETURNS
RESILIENCE

MARKET LEADERSHIP



Organizations at this level *already offer services that are fit* internally and for their external customers.

Their goal is more about *sustaining their market leadership* both economically and in the face of market changes.

MARKET LEADERSHIP

Requires a mature leadership culture to be present. It was formed in the previous ML.



Long-term business **survival** over tactical success



Success measured against **meeting customer's needs** vs competitor positioning



A curiosity to understand **how the work gets done** and the drive to improve



Make decisions to minimize the risks of delivering **unfit services**

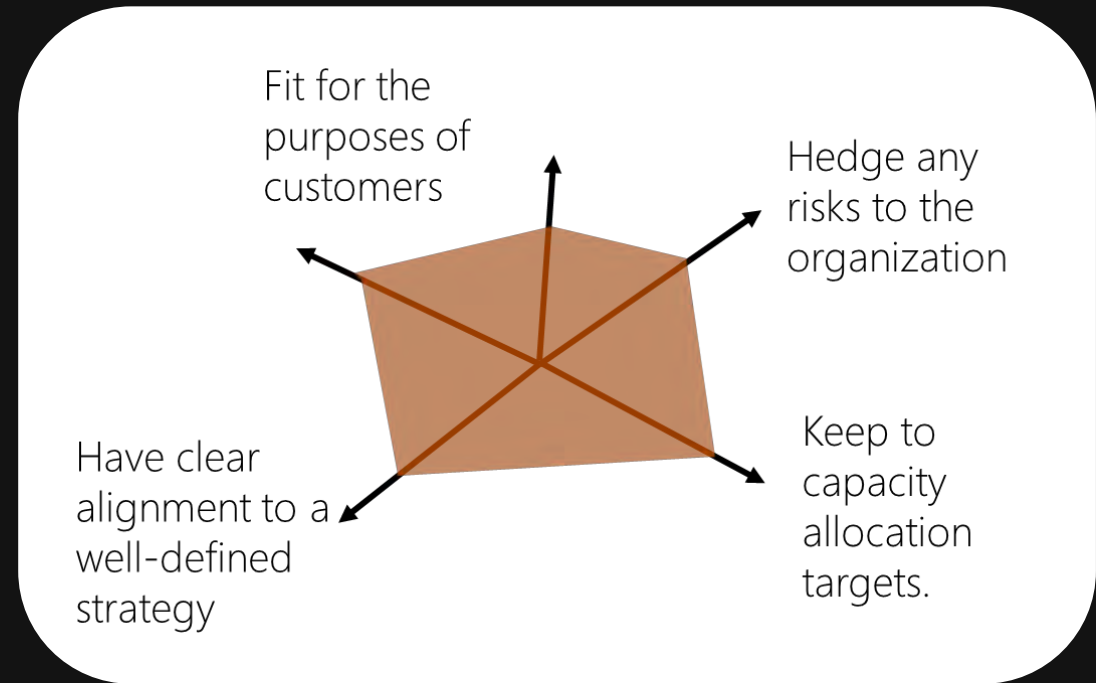


Patience to see through vision that is not always possible through a quick fix

IMPROVED DECISION MAKING

The limitations of ROI become more apparent when *trying to use it to differentiate between multiple good opportunities.*

ROI as a decision-making mechanism becomes a *barrier to the innovation required to maintain business resilience.*



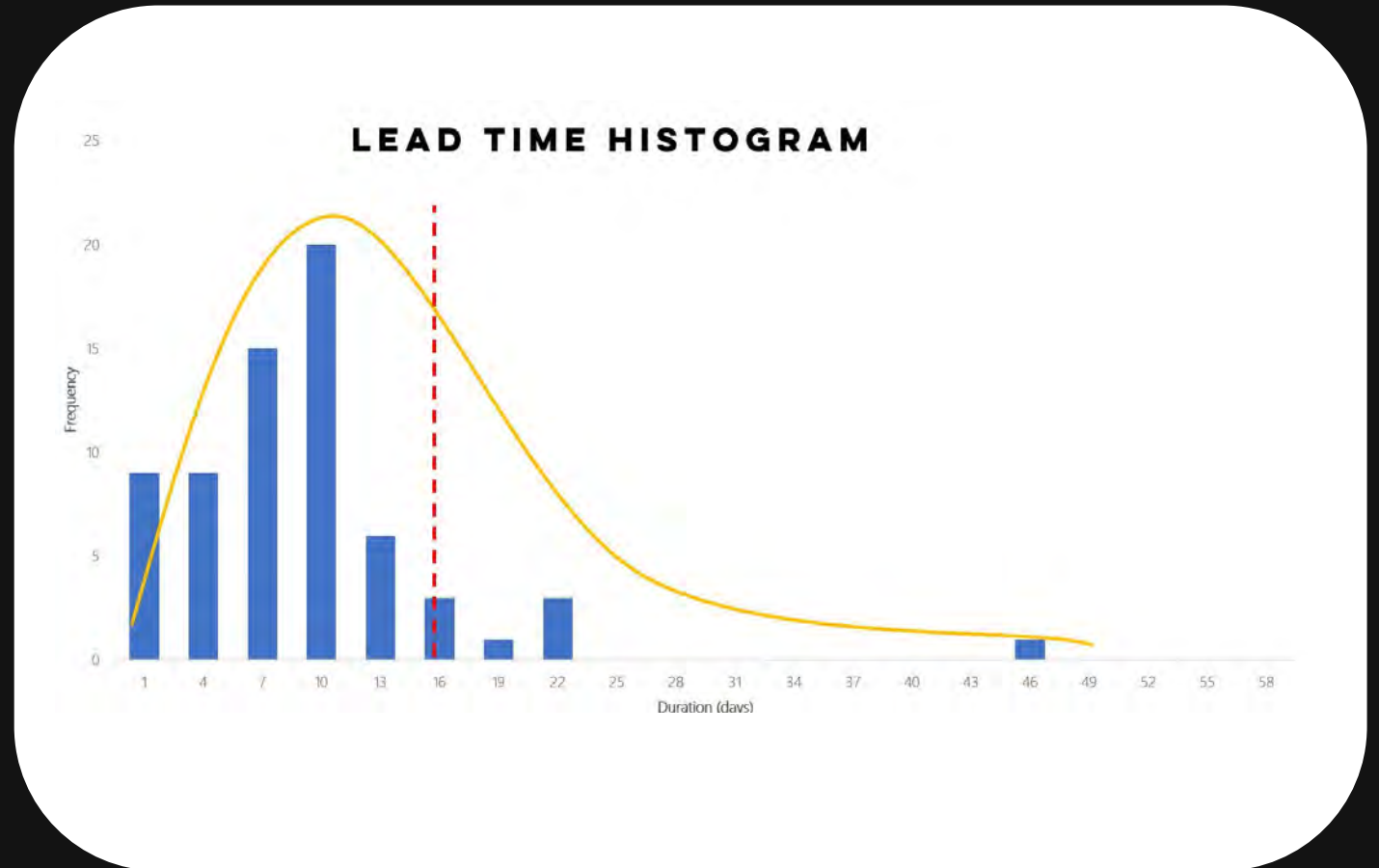
Decision-making at this level of maturity recognizes that *multiple-dimensions of risk* need to be considered.

QUANTITATIVE ANALYSIS

We get a better sense of **our capabilities**. They can be managed against our customer expectations.

We **improve decision making, predictions, and reliability** for our customers.

Delays are better understood and managed.



ROI

HIGHLY MATURE ORGANIZATIONS

ROI is no longer a dominant decision driver. Currently-fit services are replaced with the ability to maintain that fitness.

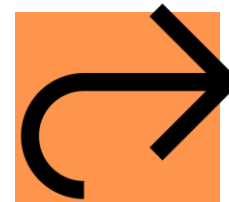
3 CAPABILITIES MATURE



Running a business is recognized as risk taking. We know how to manage these risks.



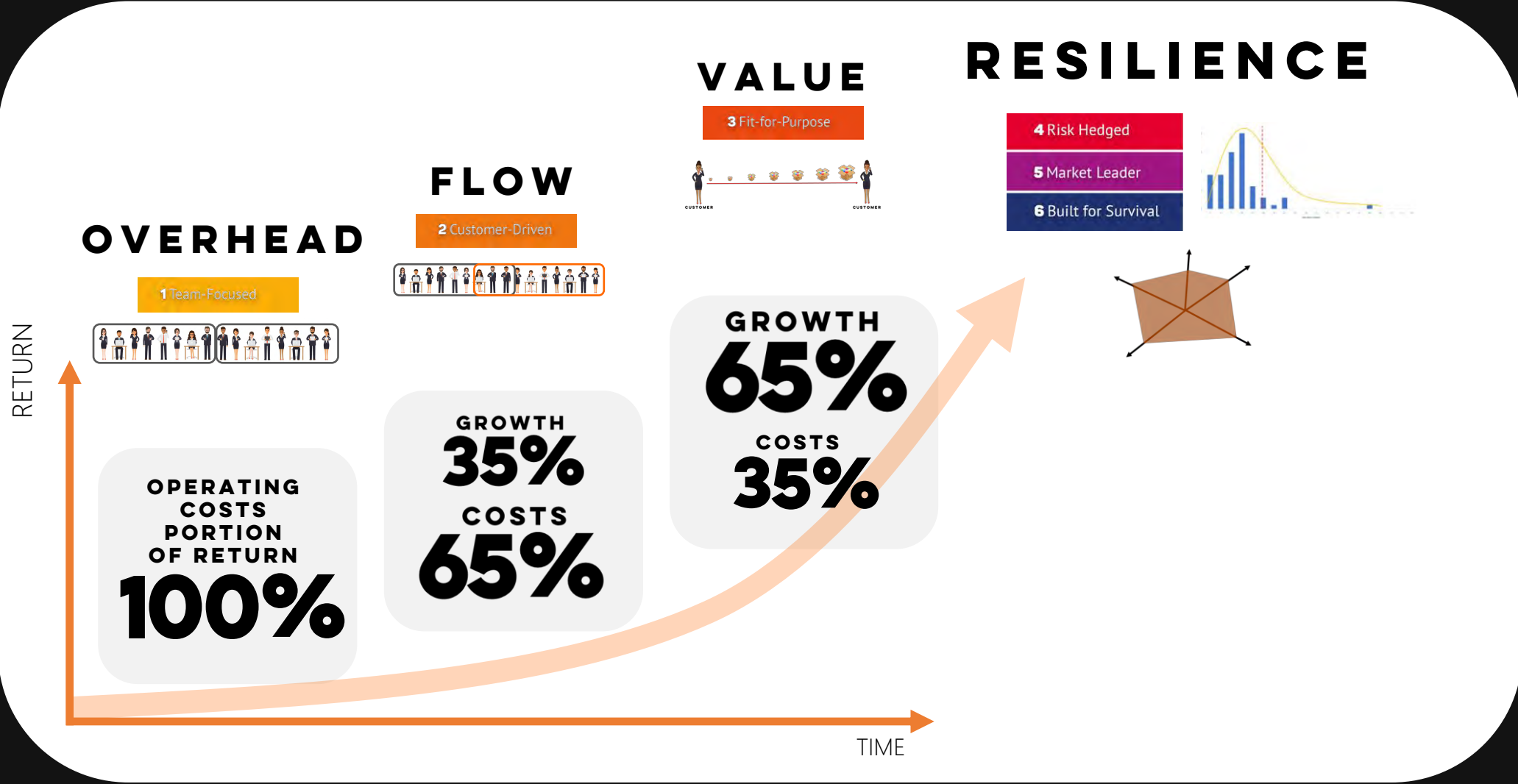
We know how to expose ourselves to opportunity without exposure to ruin.



We have the capability to quickly adapt to changes to the market.



ROI PATTERN



THE INVESTMENT ON KANBAN



BIG GAINS MODEST INVESTMENT



RETURN ON INVESTMENT

$$= \frac{\text{BENEFIT}}{\text{COST}} \times 100$$

← Big number

← Small number

Let's finally
examine the
denominator!

INVESTMENT SERVICES

SUPPORT

A MIX OF SUPPORT & TARGET GROUPS

TRAINING
RAPID BUILDING
OF LANGUAGE
AND SKILLS

CONSULTING
PROVIDING
EXPERTISE



COACHING
DEVELOPING
AND
SUSTAINING
EXPERTISE

SR. LEADERSHIP

SERVICE
MEMBERS



MANAGERS



The ratio of each support service driven by goals and budget.

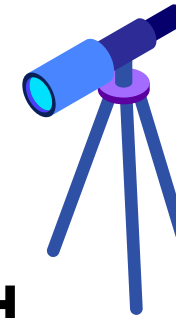
SCALING KANBAN'S IMPACT



HEIGHT

WHERE IS KANBAN DONE?

- PORTFOLIOS / WORK STREAMS
- SERVICES
- TEAMS
- INDIVIDUALS

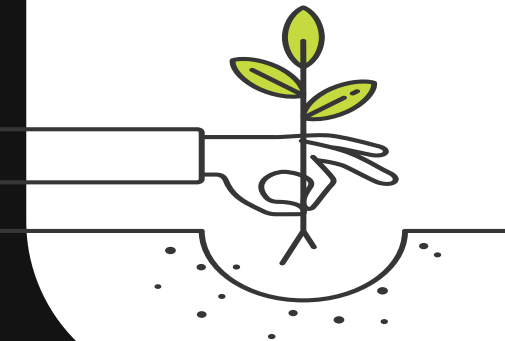


WIDTH

HOW MUCH OF THE DELIVERY CHAIN DOES KANBAN HELP MANAGE?

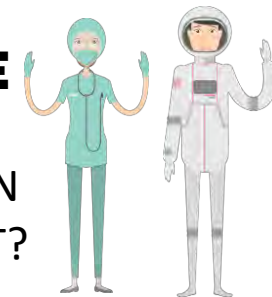
DEPTH

HOW MANY SERVICES HAVE ADOPTED KANBAN?

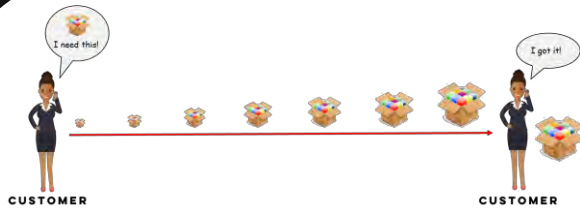


KNOWLEDGE

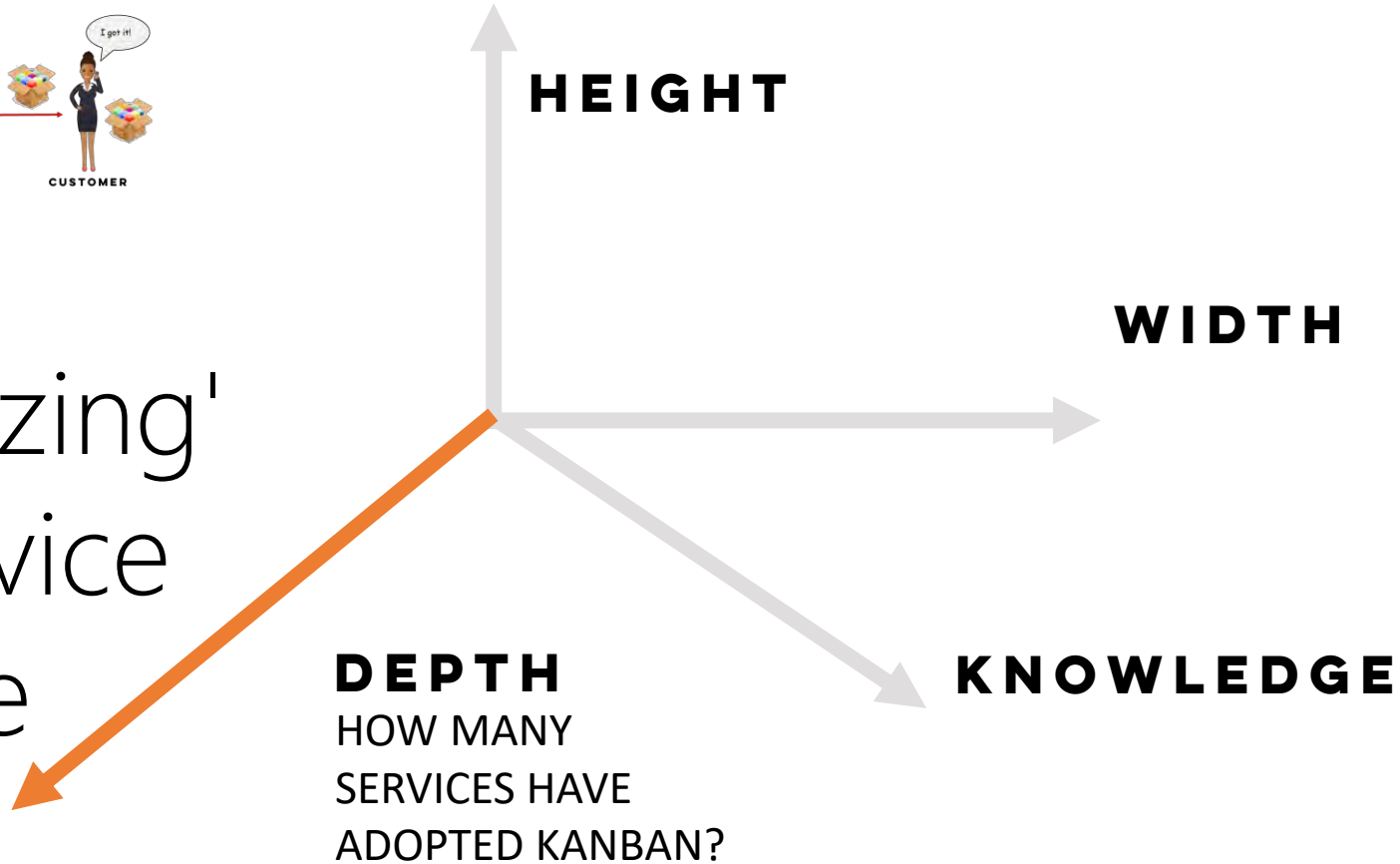
HOW WELL DO WE UNDERSTAND KANBAN TO FULLY LEVERAGE IT?



SCALING KANBAN'S IMPACT

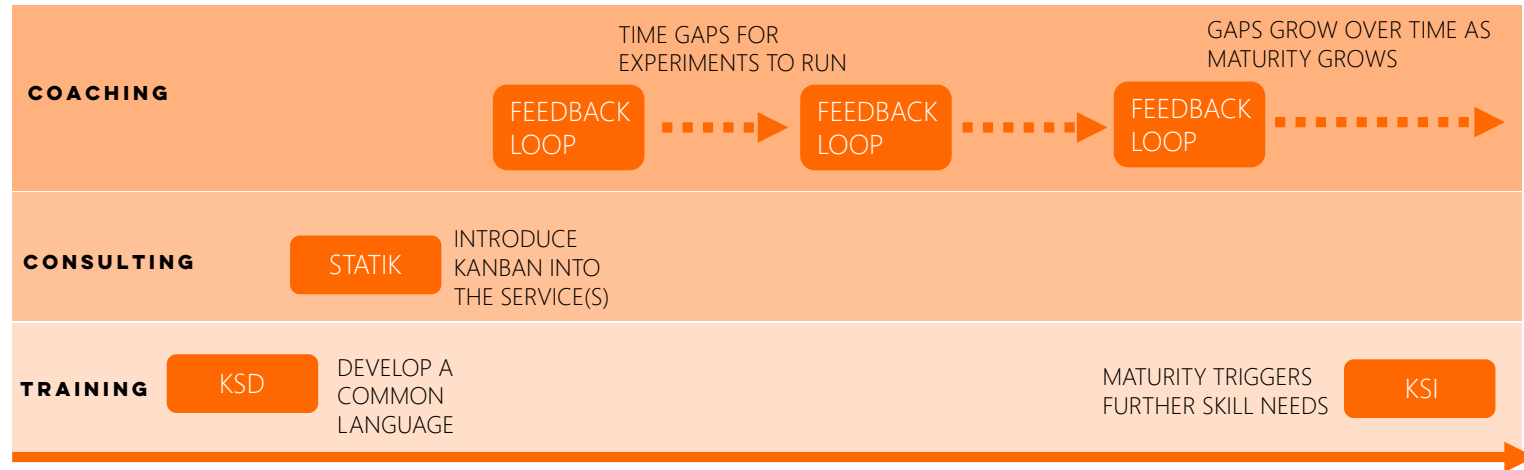


Scale by
'Kanbanizing'
One Service
at a Time



KANBAN INVESTMENT CONTAINED PER SERVICE

MANAGERS



**KANBAN
INVESTMENT
COSTS ARE
MINIMIZED**

Focus efforts **primarily on managers** (or whoever is/can take responsibility for a service).

Develop **language first** and then Kanbanize using **STATIK**.
No full-time embedded coaching.

Coaching is to support managers **during feedback loops** to reflect on and develop new experiments.

KANBAN INVESTMENT ANTIPATTERNS



OVERLY
FOCUS ON
TEAMS



HIRE
FULL TIME
EMBEDDED
COACHING



OVER FOCUS ON
IN-HOUSE KANBAN
TRAINING
CAPABILITY



FAIL TO DEVELOP
IN-HOUSE KCP-
GRADE
COACHING
CAPABILITY



GRAND
TRANSFORMATIONS
OVER EVOLVING
ONE SERVICE AT A
TIME

ROI INVESTMENT COSTS



TRAINING
15%

COACHING 20 SERVICES
\$600K to \$800K

COACHING 20 SERVICES
\$400K to \$500K

STATIK 20 SERVICES
\$125K to \$200K

20 SERVICES - TRAINING 20 LEADERS \$50K to \$100K

COACHING
85%

24 Months

\$1.2M vs \$3M IN TYPICAL
EMBEDDED AGILE
COACHING

** Fixed assumptions: Department budget remains at \$20M, a 10% profit margin, using lowest return numbers.in range.*

BIG GAINS MODEST INVESTMENT



**RETURN ON
INVESTMENT**

$$\begin{array}{r} \$8.2\text{M} \leftarrow \text{Big number} \\ \text{BENEFIT} \\ = \frac{\quad}{\$1.2\text{M} \leftarrow \text{Small number}} \times 100 \\ \text{COST} \end{array}$$

Returns are early.
Returns are sizeable.

Early returns are from
managing costs.
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business growth.

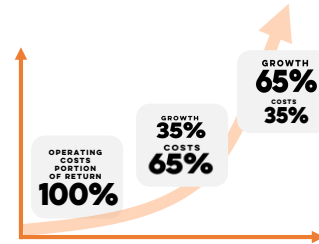
Growth eclipses cost
management.

Investment is limited,
targeted and impactful.

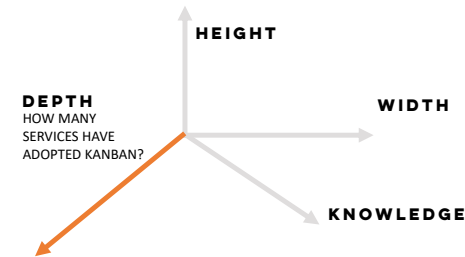
KEY MESSAGES

- 0 Obvious
- 1 Team-Focused
- 2 Customer-Driven
- 3 Fit-for-Purpose
- 4 Risk Hedged
- 5 Market Leader
- 6 Built for Survival

IMPLEMENTING
KANBAN IS A
PROCESS OF
RAISING AN ORG'S
MATURITY



RETURNS ARE EARLY
AND ONGOING.
INITIALY OVERHEAD
THEN GROWTH



SCALE IMPACT
ONE SERVICE
AT A TIME



DEVELOP THE
CAPABILITIES OF
LEADERSHIP. LARGE
IMPACT, SMALLER
INVESTMENT



SQUIRRELNORTH

THE RETURN ON INVESTMENT OF KANBAN



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CONSULTING | COACHING | TRAINING

THANK YOU!



Martin Aziz
Mar 4, 2020 · 5 min

The Return on Investment
(ROI) of Kanban - PART 1

1,269 views · 0 comments · 18 likes



Kanban

Global Summit 2022

