

KANBAN EVOLVES SCRUM-LIFTS LEAN BUSINESS MODEL AT VANGUARD

Vanguard, a prominent investment management company, developed a lean business model to promote efficient workflows and enhance value delivery. The model, rooted in lean and agile approaches, sparked behavioral change across the organization, from project teams to management. The transformation also led to an unexpected evolution using Kanban to improve Scrum, revealing Kanban's effectiveness in aligning with Vanguard's goals. Indeed, the financial services firm found that its teams that adopted Kanban were more motivated and successful at delighting customers and better equipped to circumvent a common challenge observed in Vanguard – the plateauing of performance which was coined “Scrum stall.” The results were measurable and dramatic - teams reported an amazing 4 x improvement in delivery throughput with $\frac{1}{4}$ the average lead time relative to the Scrum baseline.

Scrum stall is characterized by unevenness and overburdening in knowledge work. **Kanban, a powerful approach to evolving teams and organizations**, encourages continuous improvement by enabling teams to start from where they are and improve from there using practices such as **visualizing workflow and limiting work in progress**. Kanban can be used to evolve a team that has been using Scrum, making it an ideal approach for teams to improve their Scrum implementations.

The Challenge

Vanguard conducted an empirical study to assess its use of Agile over a 12-year period. They sampled approximately 10% of their Agile teams and observed over 700 practitioners during training and coaching sessions. The study focused on four dimensions:

Method Selection Trends:

Vanguard investigated which methods teams chose after years of transformation. Surprisingly, 40% of the teams, originally using Scrum, evolved, or planned to evolve with Kanban having observed better flow metrics than some of Vanguard's top-performing Scrum teams.

Empirical Measures for Value:

Teams that evolved with Kanban showed substantial improvements

in system lead time and cumulative flow. These fast feedback loops were instrumental in driving continuous improvement.

Critical Success Factors: The study highlighted the critical success factors that contributed to Kanban's success at Vanguard, including system context diagramming, upstream filtering, class-of-service grouping, and explicit policy definition.

Scientific Method: Vanguard applied the scientific method to conduct repeatable experiments across various teams and business areas. They identified four performance perspectives, focusing on teams recovering from Scrum stall, avoiding it, or never experiencing it.

Recovering from Scrum Stall

Scrum stall was a significant challenge at Vanguard and would often lead to low customer expectations, mediocrity, and the justification of traditional project management tools. Its primary causes were:

Myopia: Teams were often overly focused on their own work, neglecting upstream and downstream factors affecting flow.

Bottlenecks: The Scrum framework sometimes placed too much power on the product owner, leading to bottlenecks.

Scrum Sprints: Scrum team's enforcement of a timebox often created unevenness and overburdening.

Critical Success Factors

During its empirical study of long-term Agile practices, Vanguard found that its Finance team responsible for rebate systems and services elected to evolve using Kanban because they sensed they were experiencing the beginnings of Scrum stall. The leading symptom of their impending stall was frustration with visualizing the end-to-end workflow. They merged multiple boards into one large Kanban board, simplifying workflow visualization, and focused on upstream filtering and flow control to eliminate unevenness as close to the source as possible. Defining classes of service—which helps to set service level expectations—and strong pull policies eliminated expedited work, resulting in a remarkable 77% reduction in system lead time.

The team also focused on bottlenecks while utilizing the Kanban Maturity Model, which helps teams identify their maturity level so they can take actionable steps to evolve and mature their Kanban practices.

As they evolved by using more Kanban practices and principles, the team discovered that the power of an end-to-end physical board with policies for workflow states, classes of service, and upstream filtering was enormously positive. In fact,

upstream filtering is a critical success factor that was proven consistently across different teams in different areas and at different maturity levels within Vanguard. The simplest filter boards are the best because they encourage adoption.

KEY ELEMENTS OF THE KANBAN METHOD

The combination of explicit policies, management of flow, and workflow visualization are common themes in the Kanban Method. These themes empower individual team members to make decisions and manage risks on their own. Management eventually comes to trust the system because they understand it is made up of policies explicitly designed to manage risk and deliver customer expectations.

Promoting Evolutionary Change

Vanguard's journey toward a lean culture and Agile transformation faced resistance typical of large organizations. Traditional management models, marked by incremental thinking and centralized decision-making, posed challenges. However, Vanguard's approach to

using Kanban, likened to a rocket launch, involved propellants such as encouraging acts of leadership at every level and clarification of critical success factors.

Their experiments demonstrated that combining these factors simultaneously generated the thrust needed to achieve their lean operating model's objectives. The Kanban Method emerged as a next step to evolve their Scrum implementations, aligning better with their corporate mission and inspiring their teams.

EVOLUTIONARY, NOT REVOLUTIONARY

"Start with what you do now" and improve upon it! We respect the existing business, its processes, and its capabilities. We seek to improve through safe-to-try evolutionary means. No reorganizations. No one gets a new job title, role, or responsibilities. We respect the identity of the organization, its employees, and groups.

About Kanban University

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Kanban University offers accreditation for Kanban trainers and consultants, a professional designation for Kanban coaches, and certification for Kanban practitioners.



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