

# ARE WE OUT OF CRISIS YET?

Managing the transition  
to Business Agility in Banking

AGILE IN BANKING AND FINANCE

# ATTENTION PLEASE!

Who moved my cheese?

New policy on  
whiteboards

Annual appraisal  
training

- What if...
  - We are responding to the wrong signals?
  - Responding to noise and ignoring something critical?
  - Or choosing the wrong response to a signal?

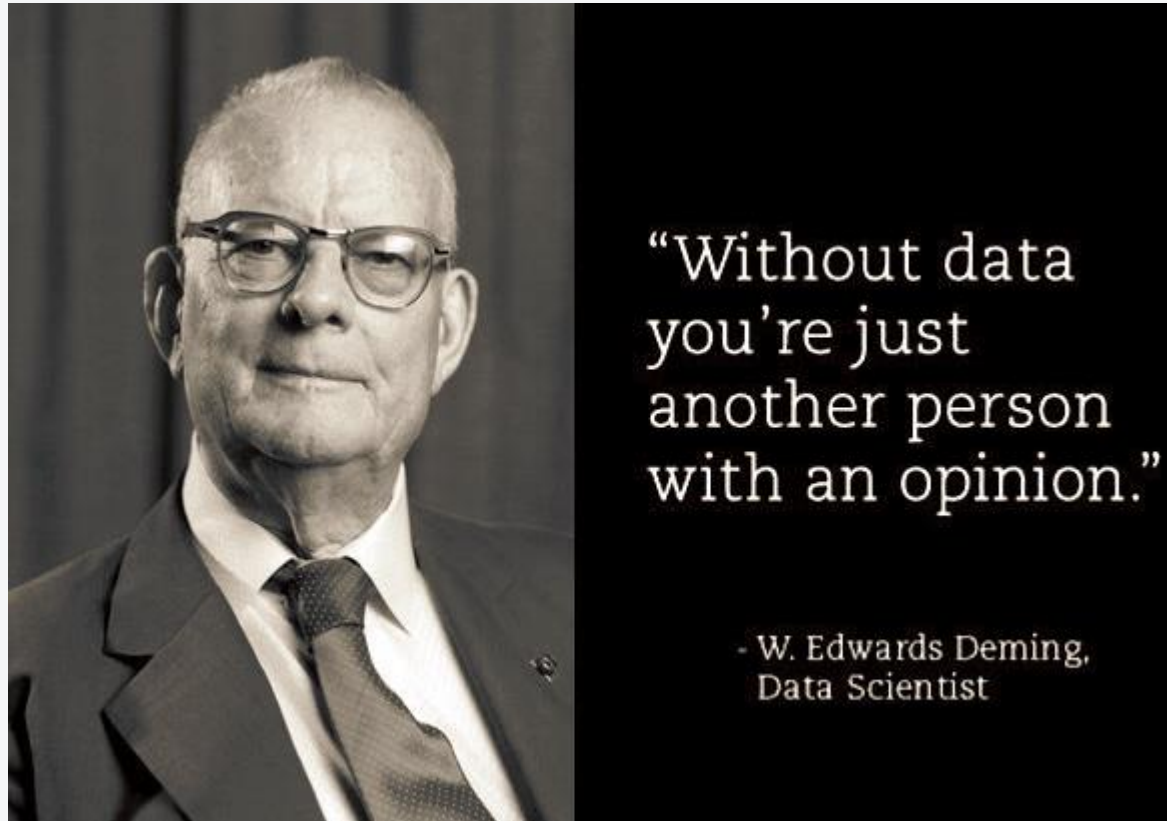


Image source and credit unknown (via Twitter)

Deming's methods made organisations more effective  
- Toyota Production System, Lean, and Quality are his

# THE MISSING INGREDIENT

The secret of Deming's success in Japan wasn't in the processes or tools, it was  
in the minds of the management

As taught today,

Agile does not address the needs of the organisation

“ Scrum for software was directly modeled after  
"The New New Product Development Game"

Takeuchi and Nonaka: The Roots of Scrum

by Jeff Sutherland | Oct 22, 2011 | Blog | 6 comments

Let's make this real

It's not our fault. The quant libraries produce unexpected results. They should do proper testing!

Traders hit another problem yesterday and are asking why IT don't test releases properly before releasing them

Business blames IT

IT blames the quants

What do we need to respond appropriately to these signals?

Deming provides this

You design this

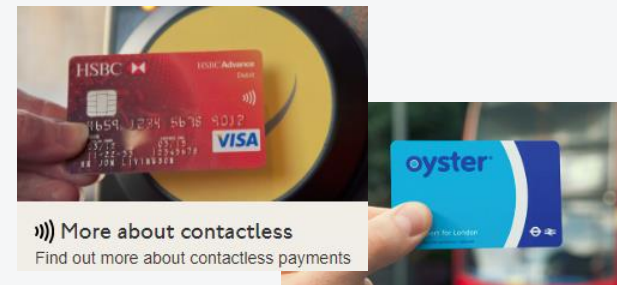
- Know-how to understand their significance
- Hypothesis to deal with them appropriately

# THIS TALK

- Reveal core knowledge Deming taught his clients
- Relate key points with real examples
- Show how managing & agile depend on each other
  - Systems view
- Give you the means to inform the crucial conversations needed for business agility

# I FACILITATE MANAGEMENT LEARNING

- Digital Transformation Expert and Agile leader
  - My experience is large orgs 10k-250k staff
  - Before that I was a software developer
- You've probably used my systems



I help management & teams improve by:

- Coaching and teaching
- Sharing information and experience
- Challenging assumptions and connecting people

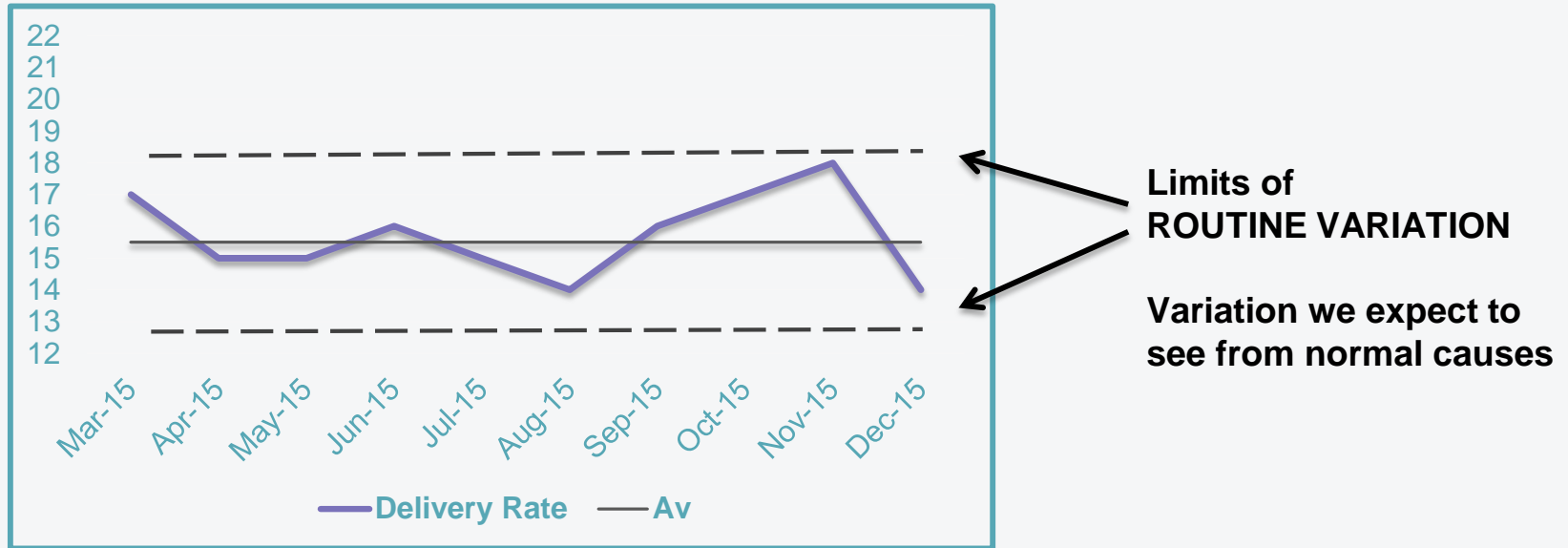


# UNDERSTANDING SIGNALS

If you can read the signal,  
you will know how to respond

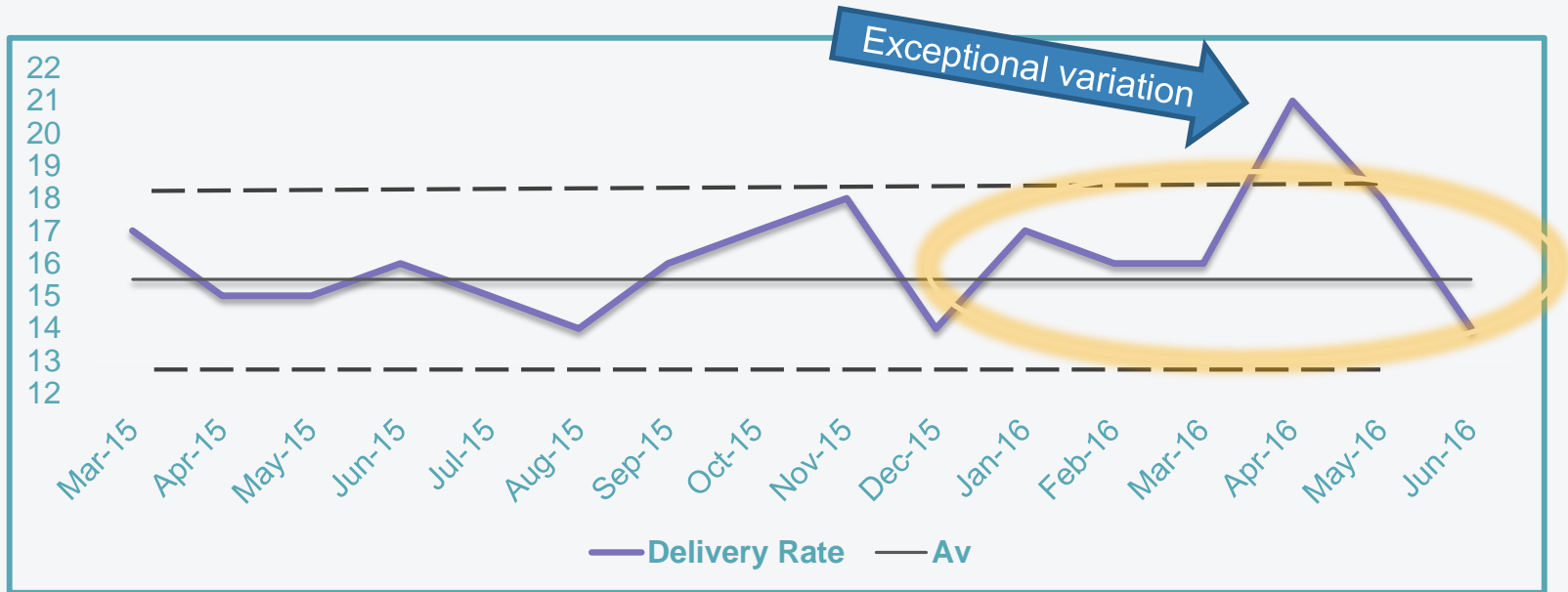


# HERE'S A STABLE SYSTEM



- What's this system signalling?
- What likely to happen over the next few months?
- How confident can we be about that prediction?

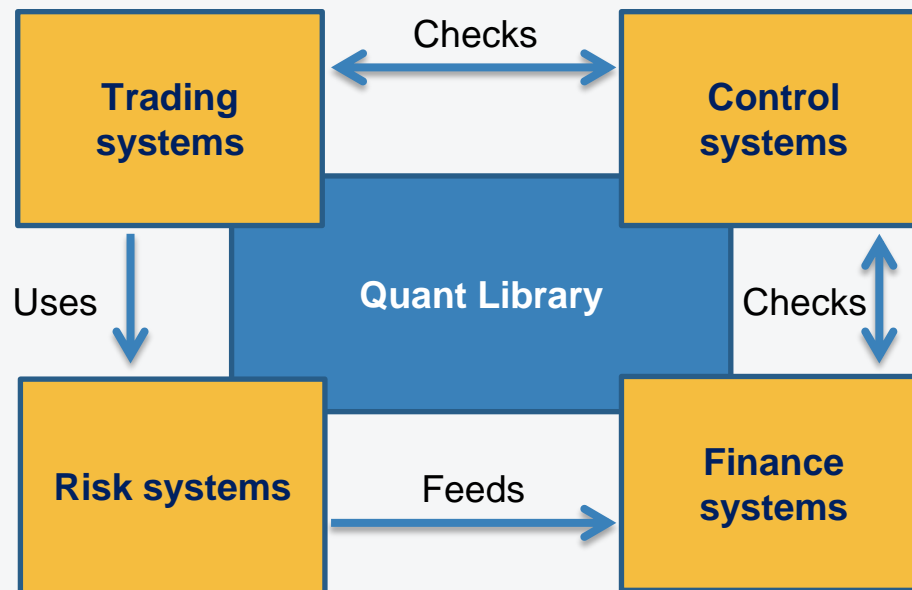
# HERE'S WHAT HAPPENED



- Delivery continued to be stable
  - One month was exceptional

# MORE COMPLICATED EXAMPLE: MULTIPLE TEAMS

- Stable and predictable Quant library release process



What should management do?

What did they do?

- Always failed final UAT
  - Stable system of failure

# EXCEPTIONAL VARIATION

- **Must identify the cause of exceptional variation**
  - Understand what destabilised the system
- **‘Go and See’ for yourself**
  - Speak to front line staff
- **Take steps to remove it**
  - Let the system re-stabilise

**Another department overspent**

- Your budget is cut by \$9m

**New global location policy**

- Shift 800 staff to low cost hubs
- No new hires anywhere else

**Hard Brexit**

- Abandon all existing plans

**New architecture directive**

- Build a cloud PoC

**New \$2m ‘hole’ in the budget**

- Conduct firedrill to cut costs

# NOT EVERY PROCESS CAN BE PREDICTED

- A lot of software development is discovery
- Some is experimenting to find what works
- Serendipity
- Innovation



Stay in business by knowing and containing your RISK

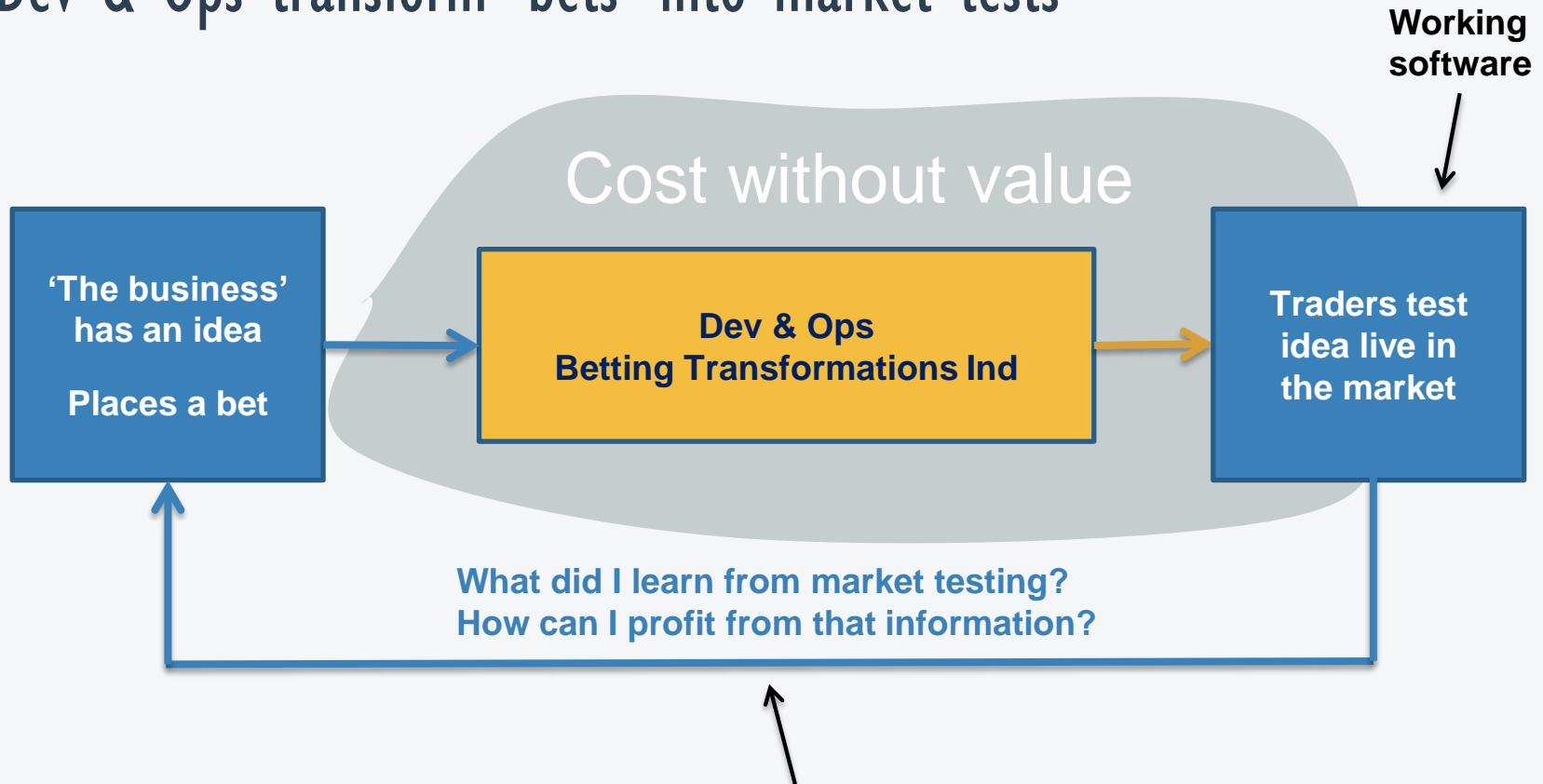
# INCREASING EFFECTIVENESS

IT and particularly software development

# YOUR PROCESS SERVES A PURPOSE

IT enables sources of revenue

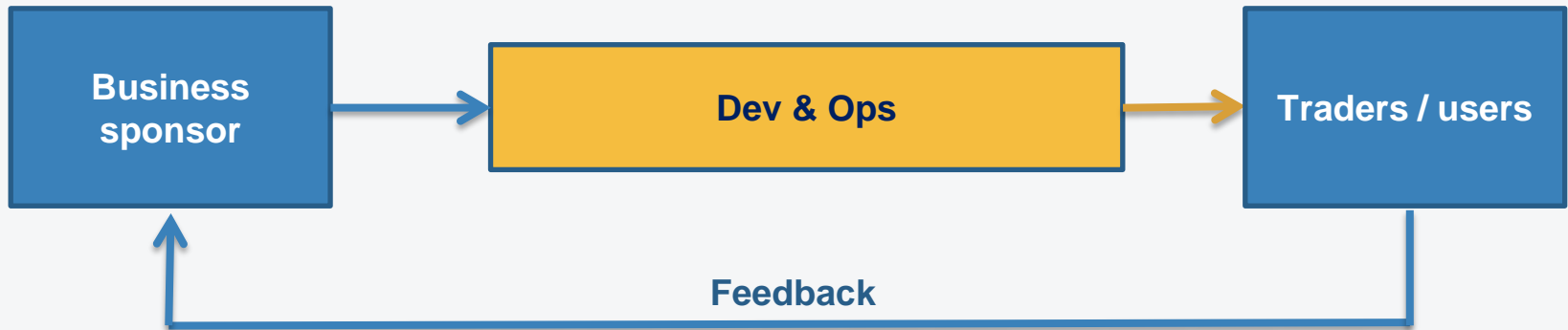
Dev & Ops transform 'bets' into market tests



**Obtaining this feedback is the whole point of developing the software**

# THEORY OF CONSTRAINTS

- DevOps process is the constraint in this feedback loop



- Basic principles for improving Dev & Ops
  - Only undertake the most valuable work — prioritise
  - Set a quality bar for input — understand customer's outcomes
  - Deliver outputs quickly and efficiently - automate
  - Do the minimum valuable work — deliver thin slices, frequently



# CONTINUOUS IMPROVEMENT

- You know how a stable process should behave
  - Routine variation provides the baseline
  - Allows safe, scientific improvement experiments
  - If you have the control data
- Waste is the commonest source of reducible cost
  - Poor quality is the biggest cause of waste
- Remove waste
  - (Remember that cost-cutting destabilises the system)

# “TOP TEN WAYS TO FIND CAUSES OF WASTE”

- Calls to the helpdesk
- Demand for re-work and bug-fixing
- Cost of delaying work on strategic priorities

## Poppendieck's 7 Lean IT Wastes

- Unused features
- Handoffs
- Defects
- Technical Debt
- Work in Progress
- Task switching
- Delays (wait time)

## WASTES I SEE IN BANKING IT



Free sample  
I have many more

- Testing at the most expensive end of the process
- Too much WIP
- Not enough discovery or understanding
- Failing to collect and learn from the data

# BANKS ARE IN THE BUSINESS OF RISK

Investment banks know how to price uncertainty

- Risk is calculated from known outcomes and models
- Ambiguity is our uncertainty of outcomes
  - Model error / unknown probability
  - Improve the data or improve the model
- Deming's methods shift ambiguity into risk
  - An good strategy for bankers

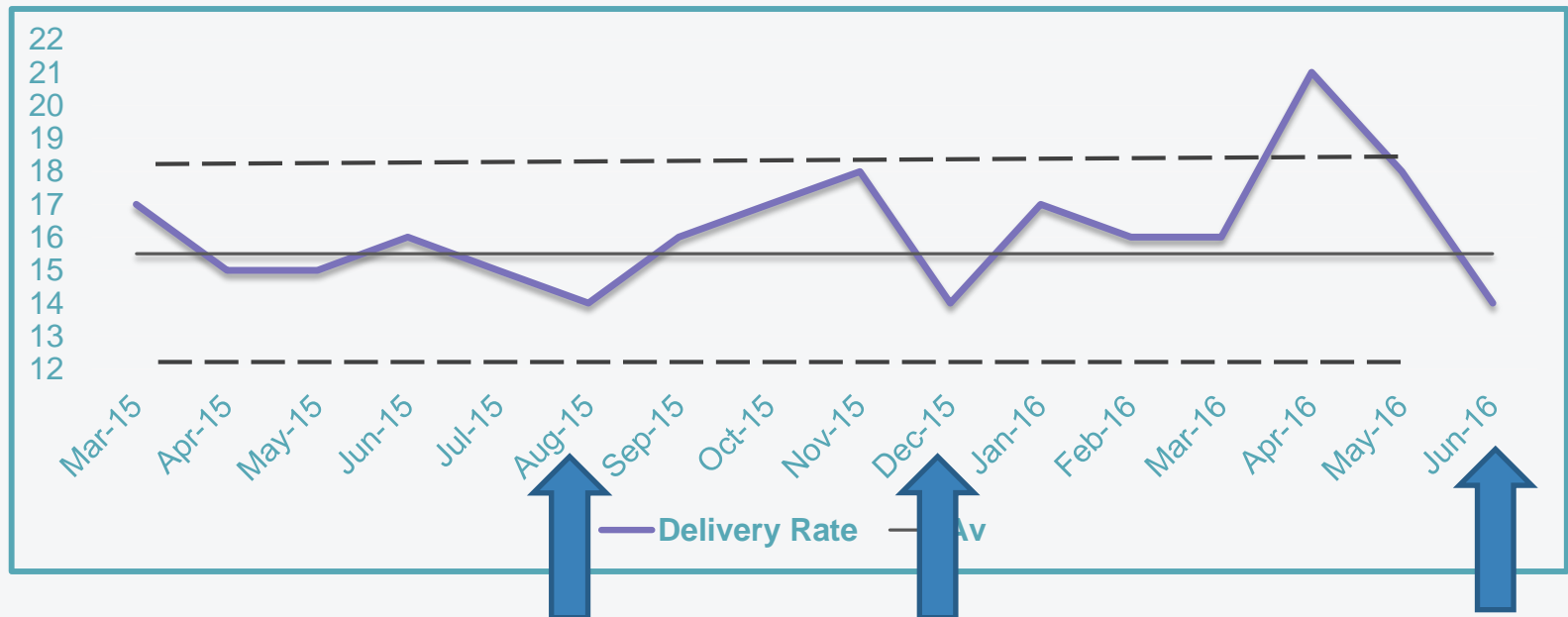


# BUSINESS INTELLIGENCE

Charts give signals, but beware the disease of  
managing by figures alone

# WHY THE DROP?

- What happened in June 2016?
- What does this tell us about DevOps processes?
  - Go and speak to front line workers... and LEARN



# INCIDENTS ARE WASTE

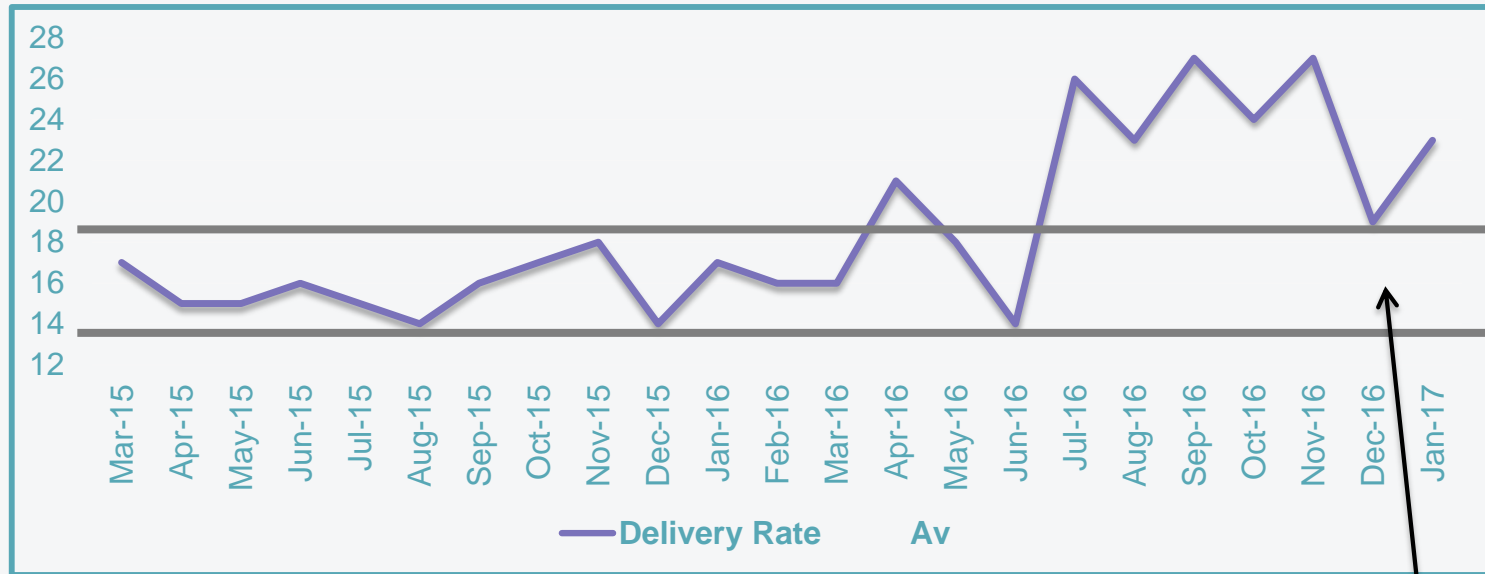
- DevOps teams were frustrated by the code freeze
  - It stopped them releasing tiny non-breaking changes







# HERE'S WHAT HAPPENED

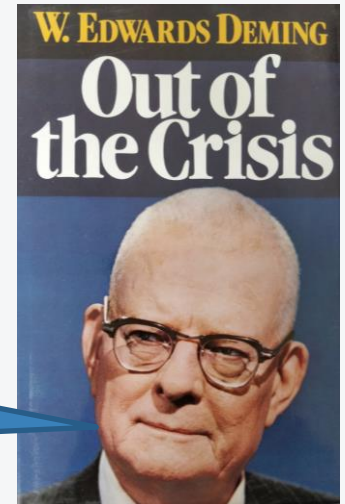


“Go-Faster” mode difference

- 35% more releases during code freeze
- Average monthly releases up 50% - systemically

# CRISIS, WHAT CRISIS?

Management are responsible for improving the system



## 14 Points for Transformation (of Management)

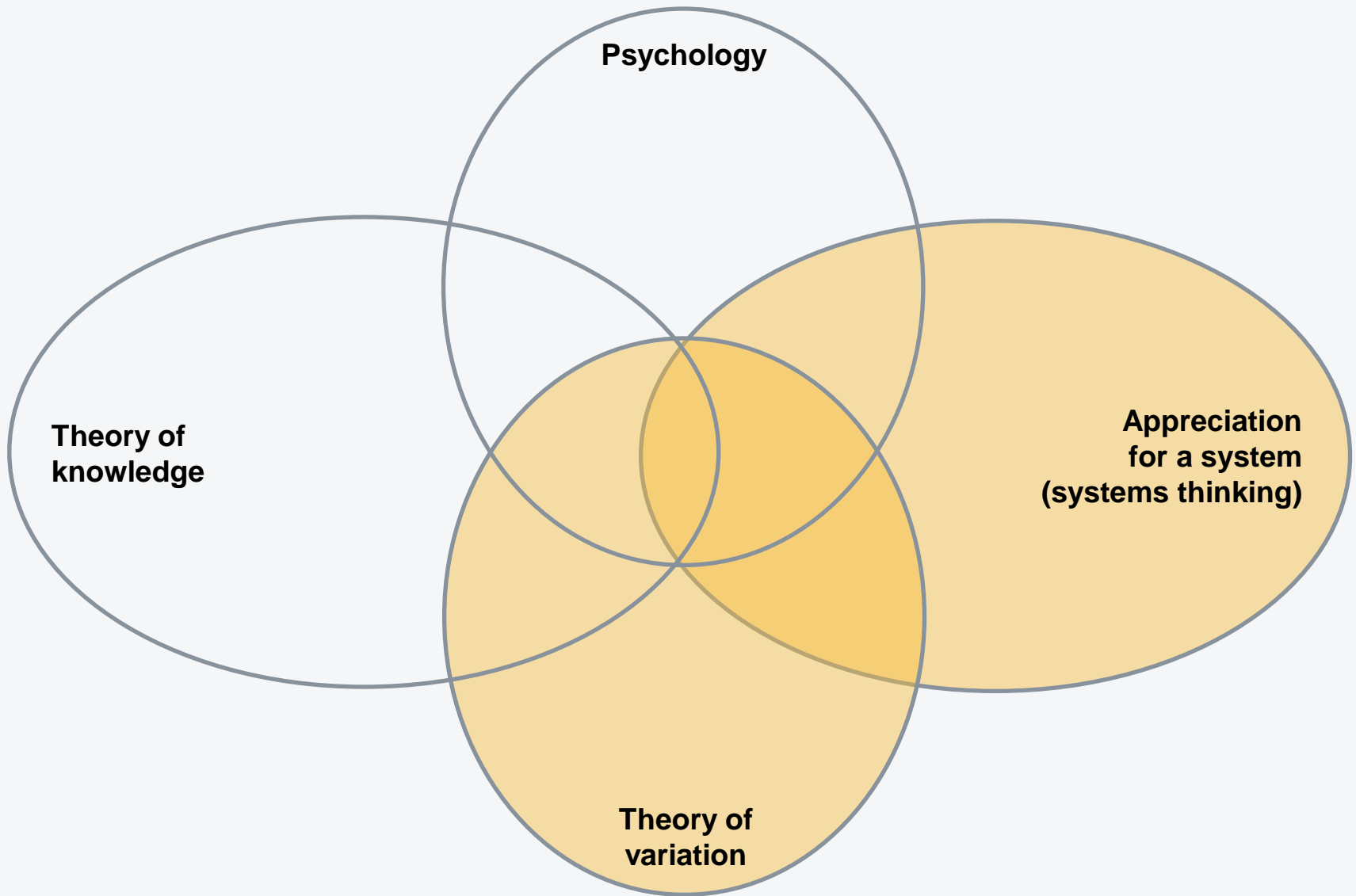
- Consistent focus on improvement
- Lead for change and for quality
- Build quality into each step
- Encourage pride of workmanship
- Don't award business on price
- Manager's job is to proactively improve the system continually
- Educate and train everybody
- Drive-out fear – communicate
- No barriers between departments
- No aspirational demands or targets

We need a transformation of management

## 7 Deadly Diseases (of Management)

- Lack of consistent purpose
- Emphasis on short-term profits
- Management by fear
- Excessive mobility of top management
- Running a company only on figures

# SYSTEM OF PROFOUND KNOWLEDGE



# WRAP-UP

# MOST MANAGEMENT DECISIONS ARE A RESPONSE TO A SIGNAL

Stable, working systems are predictable and valuable

- Tampering with a stable system is bad practice

Deciding to ignore exceptional variation is bad practice

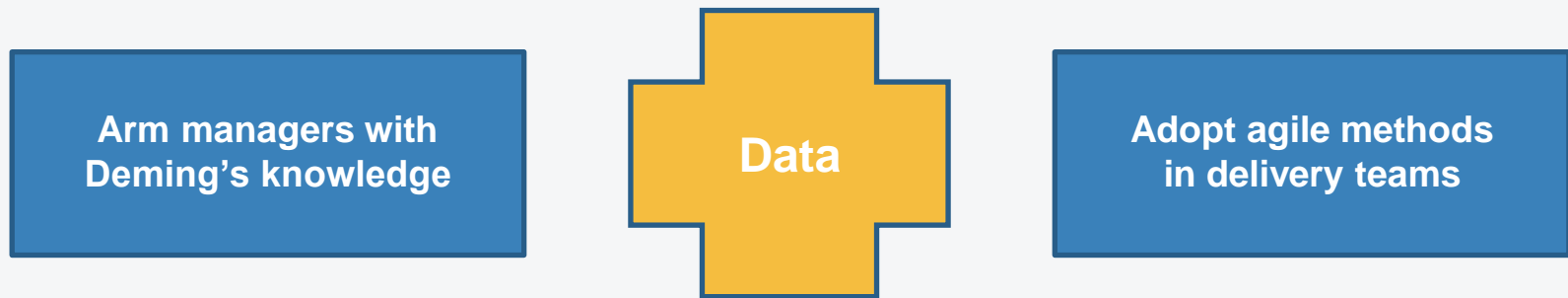
- The system is unstable and will become hard to manage

If output is failing, find the cause and eliminate it

Improve effectiveness by removing wastes, scientifically

# MANAGERS ARE CRUCIAL FOR SUCCESSFUL TRANSFORMATION

- Management and Agile and Data science are needed



- Let's bring managers back into play, armed with
  - Deming's knowledge
  - The appropriate data
  - Clearly defined role for management

# THE MANAGEMENT WAY TO BUSINESS AGILITY

**An evidence-based, hypothesis-led approach  
based on the proven methods of Deming and Agile**

Developed in collaboration with  
Luca Willington  
Deming scholar @DemingAlliance

The right information through the appropriate lens  
Fuelling the right conversations, and  
Leading to informed decision-making