http://lkuk.leankanban.com

LeanKanban
United Kingdom 2014

London 2014
November 3 and 4

America Square Conference Centre
London
Register now!

Keynotes:
Mike Burrows
Stephen Bungay
David J. Anderson
Understanding “fitness for purpose”
What makes a pizza delivery service “fit for purpose”? 

- Fitness criteria are metrics that measure things customers value when selecting a service again & again
  - Delivery time
  - Quality
  - Predictability
  - Safety (or conformance to regulatory requirements)
Meet Neeta - a project manager

- **Delivery time** = approximately 1 hour
- **Non-functional quality** = tasty & hot
- **Functional quality (order accuracy)** = doesn’t matter if small mistakes are made, geeks will eat any flavor of pizza
- **Predictability** = +/- 30 minutes is acceptable
- **Safety** = so long as health & safety in food preparation is good, it’s fine
Neeta is also a working mom!

- Delivery time = 20 minutes
- Non-functional quality = doesn’t matter too much, it’s pizza!!!
- Functional quality (order accuracy) = it must be cheese pizza! No other flavor is acceptable! (even if you take the pepperoni off)
- Predictability = +/- 5 minutes maximum!!!
- Safety = only mommy worries about that stuff!

age 4, 6, 9 & 11 years!
Lesson 1
We need to offer a selection of different recipes which are tasty & popular. However, we must also deliver with speed & predictability.
Operational excellence and service delivery excellence are often overlooked or treated as inferior management skills.
Lesson 2
Neeta has 2 identities – Mother and Project Manager. Each of Neeta’s identities represents a different market segment for the pizza delivery service. Traditional demographic & income group segmentation does not accurately capture the context to understand “fit for purpose”. Nor, for that matter, do personas. As Neeta represents two segments not just one persona.
Defining Fitness Criteria
Market Adoption Lifecycle Segmentation

Enthusiasts

Early Adopters

Early Majority

Late Majority

Laggards

Rate of Market Adoption

Moore’s Chasm

Little Chasm

Fit for purpose

Change of time

Fit for purpose

Community development

Hip Cool

Buggy

Niche Market Features

Permission Giving Early adopter

Cost Effective Broad Features

Low Cost Easy Access Forced adoption Viewed as taxation

Good func quality Adequate non-func quality

Exceptional func and non-func quality

Exceptional func and non-func quality

Adequate non-func quality

Exceptional func and non-func quality

Copyright David J. Anderson & Associates (UK) Ltd.
Customer Storytelling & Clustering

Tell stories about real customers, their motivation, what they buy and why. Cluster similar stories.

Give each cluster a “nickname”

- “All ins”
- “Aspirationalists”
- “Bet hedgers”
- “Boy scouts”
Neeta, how fast would you like your pizza delivered? How predictable do you need us to be with our delivery estimate?

Customers will tend to tell you they need better service and more features than they really need!

Would you pay more for the things you say you need and want?

No, probably not!

Believe what customers actually do, do not believe what they say they’ll do!

Actually behavior will vary from declared intent!
Who knows your customers?

- Front line staff
  - Those who take and those who deliver orders
  - Those who provide “customer care”
  - Often the lowest paid staff in a business
  - Often the highest turnover, shortest tenured positions
  - And yet, they have the vital information that enables the business to survive, thrive and compete
Pizza boy knows Neeta’s Story!

Staff who meet customers can be trained to learn what matters to them and why.

Create ways to capture customer stories or directly involve customer facing staff when defining customer segments fitness criteria.
A well known manufacturer of GT cars determined customers were prepared to wait 21 months to take delivery. They learned this by letting delivery time slip to 27 months and receiving cancellations and customers switching to a rival manufacturer.

Determining fitness criteria thresholds by reducing service levels until customer complaints rise to dangerous levels isn’t a “safe to fail” approach!

Damaging your brand, your reputation and your profitability is a strange way to discover how to be...

“fit for purpose!”
Is it “safe to fail”?

We need general guidance that will enable us to define service quality that is “safe to fail”. If we can’t ask, and we can’t allow service to decline until complaints make the threshold evident, what can we do?
Probes with classes of service

Create a new class of service.

Observe:

- Is it over-used? (or abused?) If so, tighten qualification criteria.
- Is it under-used? Consider removing it.

Fixed delivery date class of service emerged this way.

Initially abused by marketing, eligibility criteria were tightened up.
Telecom Equipment Example

Now design and offer 3 classes of service...

- High quality, tight “done” criteria for each step
- Short lead time – pull priority, looser “done” criteria
- Low cost – junior staff, lowest priority compared to other work
Different classes of service and different pull criteria policies are defined for each lane providing service levels tuned to the “fitness for purpose” expectations of each customer.
Lesson 3
Classes of service should align to market segments and fitness criteria (or stakeholders needs)
Service Delivery Kanban improves business agility
The frequency of system replenishment should reflect the arrival rate of new information and the transaction & coordination costs of holding a meeting.

Frequent replenishment & commitment is more agile.  
On-demand commitment is most agile!
Defining Kanban System Lead Time

The clock starts ticking when we accept the customers order, not when it is placed! Until then customer orders are merely available options.

Kanban system lead time ends when the item reaches the first ∞ queue.
Frequent delivery is more agile.

On-demand delivery is most agile!

The frequency of delivery should reflect the transaction & coordination costs of deployment plus costs & tolerance of customer to take delivery.
Lesson 4
Instead commitment is deferred, selection is “just-in-time” and prioritization is dynamic & based on class of service
Adapting to deliver better service
Each service delivery workflow can have its own kanban system.

<table>
<thead>
<tr>
<th>Pool of Ideas</th>
<th>Engineering Ready</th>
<th>Development Ready</th>
<th>Testing Ready</th>
<th>Deployment Ready</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Observed Capability**

<table>
<thead>
<tr>
<th>Engineering Ready</th>
<th>Development Ready</th>
<th>Testing Ready</th>
<th>Deployment Ready</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Observed Capability**

<table>
<thead>
<tr>
<th>Demand</th>
<th>Engineering Ready</th>
<th>Development Ready</th>
<th>Testing Ready</th>
<th>Deployment Ready</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Observed Capability**

<table>
<thead>
<tr>
<th>Demand</th>
<th>Engineering Ready</th>
<th>Development Ready</th>
<th>Testing Ready</th>
<th>Deployment Ready</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

**Observed Capability**
Dependencies between systems create an ecosystem

Looking downstream, you want the system to help you anticipate and manage dependencies.

Looking upstream, you want the system to help you anticipate and manage demand.

Combine the two, and across the organization you smooth flow end-to-end improving lead times and predictability.
Feedback is needed at 3 levels

Operations Review
- monthly

Service Delivery Review
- weekly

Standup Meeting
- daily

- Mean 5 days
- 98% at 25 days
- 85% at 10 days
- Mean 50 days
- 98% at 150 days
- 85% at 60 days
Standup Meeting

Disciplined conduct and acts of leadership lead to improvement opportunities.

Problem solving & improvement discussions are taken outside the meeting.
Service Delivery Review

Weekly

A focused discussion about system capability

Usually in private (often 1-1) between a more senior manager and individual(s) responsible for the system operation

Review against fitness criteria metrics, e.g. current capability versus lead time SLA with 60 day, 85% on-time target

Discuss shortfalls against (customer) expectations

Analyze for assignable/special cause versus chance/common cause

Discuss options for risk mitigation & reduction or system design changes to improve observed capability against expectations
Buffer dependencies, agree SLAs

Input Queue
- Waiting on External Group
- Dots denote clock ticking on SLA

Analysis
- In Prog
- Done

Dev
- Ready
- In Prog
- Done

Development
- In Prog
- Done

Build
- Ready

Test

Release
- Ready

... Late against SLA
Operations Review

Monthly

Disciplined review of demand and capability for each kanban system

Provides system of systems view and understanding

System changes are suggested by attendees
Risks, fitness criteria & classes of service should be explicit & transparent at all levels

Operations Review
- monthly

Service Delivery Review
- weekly

Standup Meeting
- daily

- Lead time
- Quality
- Predictability
Organizational Improvements Emerge
Lesson 5
Fitness criteria metrics from the external environment should be used to evaluate fitness and guide evolutionary changes regardless of the level in the organization.
Sensing Changes in Market Conditions
Our business needs the ability to “sense” changing customer tastes. As time goes by, the criteria & thresholds for a given market segment may change.
Our pizza delivery service can be "fitter for purpose" by offering different classes of service for each market segment. But, do we have the capability to deliver on customer expectations?
“Fitness For Purpose” Review

Review customer stories

Review Fitness criteria
- Do we perceive customers of a given cluster/segment are happy and consider us “fit for purpose”
- What services or product features or service delivery expectations have emerged or changed?
Integration with Net Promoter Score

Making sense of supplementary question responses by clustering & interpreting fitness criteria makes Net Promoter Score actionable!

- NPS should have a 2\textsuperscript{nd} question “Why did you give this rating?” which has a micro-narrative answer.
- Micro-narratives can be clustered with SenseMaker software. Segments identified and fitness criteria suggested and tested.
Lesson 6
Our sensing capability exists with our staff who interact directly with customers, we must involve them directly in our feedback loops & metrics definition.
Conclusions
1. “Fitness for Purpose” has both a product component & a service delivery component

2. Market segmentation should be done based on unique fitness criteria metrics

3. To be confident you are “fit for purpose” you must offer a selection of classes of service aligned against fitness criteria metrics
4. Kanban decouples planning, lead time & delivery activities increasing business agility

5. Adaptation requires feedback loops & these should be driven by evaluation against fitness criteria metrics

6. Without a capability to “sense” our ability to “respond” may be inappropriate. We need a “sensing” feedback loop involving customer facing personnel
London 2014
November 3 and 4

America Square Conference Centre
London
Register now!

http://lkuk.leankanban.com
Thank you!
David Anderson is an innovator in the management of 21st Century businesses that employ creative people who “think for a living”. He leads a training, consulting, publishing and event planning business dedicated to developing, promoting and implementing new management thinking & methods...

He has 30 years experience in the high technology industry starting with computer games in the early 1980’s. He has led software organizations delivering superior productivity and quality using innovative methods at large companies such as Sprint and Motorola.


David is CEO of David J. Anderson & Associates Inc., a consulting and training firm operating globally offering management training solutions for 21st Century businesses where employees make performance defining decisions daily.
Acknowledgements

Customer storytelling and segmentation by clustering stories will be recognized by some as a form of Dave Snowden’s Sense Making exercise.

“Safe to fail” is an approach to experimental, evolutionary adaptation to a complex and changing environment, also advocated by Dave Snowden.

Sense and Respond was inspired by Stephen Parry and his book of the same title.