History
Who Are They?

Fraud Governance (called “Anti-Fraud” team) for a Canadian Multi-National Financial Institution

**PRIMARY MANDATE** - Actively reduce risk for the organization, its stakeholders, partners and customers.

**STAKEHOLDERS & CUSTOMERS** – Operating as a *shared service* for most of the enterprise, but specifically for: Mortgage, Capital Markets, Wealth Management (some groups), Foreign Investment (most geographies – not EU), Retail Banking & all their respective customers.

**KEY DELIVERABLES** - perform risk assessments then make recommendations or create & implement strategies for combating, mitigating, and eliminating risk. NOT fraud investigations.

The Anti-Fraud team has authority to define and implement tools, policies, practices, techniques, and procedures across most of the enterprise.
Background

Prior to 2013 used traditional waterfall (gated) processes and project management approaches.

**PROBLEMS**: Siloed and disconnected work and people, poor communication, slow response, late delivery, inability to respond to changing needs, lack of transparency.

**ENVIRONMENT**: Fraud risks rapidly increasing in frequency, type, and severity, on local, regional, national, and global scales.

**NEED**: The organization needed to be more nimble and responsive to fraud threats and protecting customer and stakeholder investments.

**RESPONSE**: In 2013, the team was mandated by management to adopt Scrum
Limitations

• Scrum provided:
  - Transparency and visibility.
  - Reduced miscommunications.
  - Increased pace of delivery of value.
  - Cross training and knowledge sharing.
  - Faster feedback loops and faster improvements.

• However, after about 18-24 months the team hit a plateau.

• New problems became apparent that Scrum was not addressing, some of which were outside the team.

In March 2018, the Anti-Fraud Department Manager (newly promoted PO) reached out to get support to improve delivery.

After a review I recommended introducing the Kanban Method and offered to coach them through STATIK.

Scrum helped tackle some team-specific challenges while it made other system-wide issues critical and obvious.
Assessment
Internal Dissatisfactions

- Changing requirements and priorities meant constant re-planning, sometimes even within a Sprint.
- Staff continued to be overburdened which affected productivity and morale.
- Team members were specialists (policies, process managers, technical consultants) so they typically focused on isolated work packages. Some work did provide opportunity for collaboration while other work could be handled by an individual – Scrum didn’t really work for them.
- Staff felt Sprints were an artificial time box that was difficult (and wasteful) to divide work packages in to or to deliver on.
- Team constantly being interrupted to assess and investigate. Some requests ended up being duplicates or thrown away. About 13% of the team’s effort was spent investigating redundant disconnected service requests.

The team now experienced overburdening, constant re-planning, little collaboration, and a lack of aligned coordination from stakeholders.

This was eventually identified as the key constraint that needed to be addressed.
External Dissatisfactions

- Multiple stakeholders all felt they had little to no personal service.
- Little to no visibility in to work or when solutions would be implemented.
- Team seemed unable to respond to emergencies in a timely manner.
- Unpredictable delivery.
- Delays could mean significant exposure to risk for key high-end customers and stakeholders.
- Loss of high-end (Key Wealth Management) customer confidence in organization’s ability to manage risk.
- Some stakeholders questioned the value of “Sprint Reviews” specifically when there was no useable solution (potentially releasable product increment).

Stakeholders were frustrated with delays and unpredictable delivery.

Key customers were losing confidence in the organization.
Types of Work

- Deliver Risk Assessment and Exposure Reports.
- Make enterprise-wide policy and process recommendations.
- Create and implement strategies.
- Make explicit policy and process changes.
- Develop and deliver fraud protection education (classes, sessions, videos, alert notices).
- Arrange for related software modifications.

**NOTE:** Some work items could be deemed high risk by senior leadership which became fast-tracked, however most independent Lines of Business (LOB) did their own prioritization.

The Anti-Fraud team has exposure across most of the organization as they interact with many LOBs & departments.
Major Work Categories

- High Risk Issue
- Policy and Process Changes (LOB)
- Policy and Process Recommendations (Enterprise)
- Risk Assessment & Exposure Reports
- Knowledge Management
- Partner Channels

High Risk Issues can originate from or spawn almost any other work type.

The Anti-Fraud Team uses these categories to identify their work types, which are recognizable to their leadership and business.

For now there is considerable resistance to adding "complexity" by defining Classes of Service.
Demand by Source

<table>
<thead>
<tr>
<th>Line of Business</th>
<th># Requestors</th>
<th># Requests</th>
<th># Commit</th>
<th># Expedited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Management</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Mortgages &amp; Lending *</td>
<td>7</td>
<td>18</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Foreign Investment &amp; Transactions *</td>
<td>6</td>
<td>14</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>20</strong></td>
<td><strong>45</strong></td>
<td><strong>35</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

Numbers are per quarter averages from 2 years of historical data (2016-2017)

This data identifies considerable potential for coordinating service requests prior to commitment and perhaps even the identification of a different service or class of work.

Observations

- Large number of stakeholders (13 of 20 requestors = 65%) from 2 uncoordinated Lines of Business (LOBs) (*) are the source of about 71% of all requests (32 of 45).
- Mortgages & Lending includes Credit Cards, which was the source of 14 of 18 (78%) of the LOBs requests for service (highest fraud risk potential). Note that all 6 LOB expedited work items were from Credit Cards.
- High number of expedited work items (40%), of which 79% (11 of 14) came from same two uncoordinated LOBs (*).
- No significant pattern to timing of requests (doesn't appear to be seasonally or temporally influenced).
Additional Demand Observations

This data supported the team’s suspicions, and identifies considerable potential for reducing demand simply by focusing pre-commitment discussions to clarify and consolidate service requests.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th># Requests</th>
<th># Redundant in LOB</th>
<th># Redundant in Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Management</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Retail Banking</td>
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<td><strong>TOTALS</strong></td>
<td><strong>45</strong></td>
<td><strong>10</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Numbers are per quarter averages from 2 years of historical data (2016-2017)

"Redundant" means “similar to” or “the same as”.

**Observations**

- 22% (10 of 45) of total requests turned out to be redundant within LOBs.
- 90% (9 of 10) of redundant requests came from the 2 uncoordinated LOBs (*).
- 13% (6 of 45) of total requests were redundant to others across the Enterprise.
- It is estimated approximately 17% of the team’s effort is spent reviewing and assessing redundant requests.
- Virtually no service requests were discarded (irrefutable demand).
## Capability Analysis

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th></th>
<th>FY2017</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td># Commit</td>
<td>32</td>
<td>32</td>
<td>41</td>
</tr>
<tr>
<td># Delivered</td>
<td>28</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Total # in Backlog</td>
<td>27</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>% Complete</td>
<td>87.5%</td>
<td>96.9%</td>
<td>85.4%</td>
</tr>
</tbody>
</table>

Numbers are from 2 years of historical data (2016-2017)

### Observations

- Over 2016-2017 demand typically exceeded capability by approximately 8% so the queue of irrefutable demand continued to grow. Note – this trend continued through early 2018.

- Appears to be a very low (not significant) variability in capacity depending on temporal influences. There is sometimes a slight influence of the holiday season in Q4 with significantly higher-than-normal fraud events (volume), but there are not a significant number of unique types of fraud.

- Increasing flow should help alleviate some of the overburdening.

- Reducing or limiting the demand (queue) and placing WIP limits should also help.
Delivery Analysis (Lead Times)

Delivery spikes on cadence with Sprints

Overall delivery histogram shows LOTS of noise, low predictability, low confidence for forecasting. But it’s a start!

Two different subtypes of work

Delivery spikes on cadence with 30, 45, 60 day milestones (Fixed Date)
Note interruptions regarding pre-research investigations and comparison of service requests

Note the Following:
- Large variability in delivery.
- Long delay (avg 11 days) from request (investigate) to commitment.
- Lack of coordination among stakeholders.
- Team “on the hook” to investigate all requests (little clarity in advance on service requests).
- Some work types required special skills unique to certain team members.
- PO not empowered – just a proxy.

Some LOB’s have their own coordinated risk mgmt. groups.

- Reports
- Recommendations
- Policy / Process Changes
- Training and Learning Tools
Changes
**Goals**

**KEY:** Reduce effort spent on pre-investigation of work items. This bottleneck was a key constraint. Specifically, needed to get clarity and alignment from stakeholders prior to commitment.

They defined some other goals:

- Provide increased visibility into the work being done.
- Don’t “force” a cadence on work that does not fit nicely into a timebox.
- Reduce need to constantly plan and re-plan (reduce start-stop work).
- Reduce overburdening of staff.
- Provide a more predictable delivery system.
- Define explicit rules (policies) for accepting, executing and delivering work.
- Increase stakeholder and key customer satisfaction (L2R).
Approach to Change

An incremental, evolutionary approach was chosen, one that started with what they had.

Scrum had been very disruptive so the department and stakeholders are very sensitive to sweeping process and framework changes.

- Ran a session to identify key issues (Anchors & Sails).
- Got team consensus to make changes iteratively and incrementally.
- Each change based on a specific pain point, an action was decided on, then the effect was measured to determine if it had the intended impact.
- Evolutionary change helped shift focus from the team and individuals to the work and flow.
- The team has redefined their own goals from collaboration and teamwork to predictability, smooth flow, and sustainability, while explicitly identifying a customer first focus.
- In many cases, started with what they had and renamed & repurposed with a new focus.
- Many system / upstream discussions have not explicitly mentioned Kanban – they were just incremental improvements (e.g. Risk Mgmt Committee).
1. Define Policies by Type of Work

- **High Risk Issue**
  - 3 Business Day Initial Assessment, 80% Delivery Within 21 Days. Declared by AML Director

- **Policy and Process Changes (LOB)**
  - Negotiated SLA based on LOB & Specialist Availability

- **Policy and Process Recommendations (Enterprise)**
  - Exec Summary 14 Day, Exec Commit Required

- **Risk Assessment Exposure Reports**
  - 80% Delivery Within 14 Days (Multi-Platform 28 Days)

- **Knowledge Management**
  - Fixed Date, Tools and Specialists Required

- **Partner Channels**
  - Fixed Date, External Dependency
Note the following team-driven changes:
- Team gradually switched from Scrum and initiated work pull a few at a time (over multiple Sprints).
- SM & PO eventually became F/T team members.

Top 10 biweekly priorities chosen by committee to focus discussions & work

Form Enterprise Risk Mgmt Committee of LOB Risk Teams & Risk Mgmt Director. – Upstream Kanban to Prepare Options

Currently an unbounded queue between “services”, but working to set WIP limit

WIP limit initially imposed on team members

- Reports
- Recommendations
- Policy / Process Changes
- Training and Learning Tools
3. Proto-Kanban Board Design and Approach

- Initially expanded Scrum Board to become a Team Kanban Board with swim lanes and multiple in-progress activities. Concurrent work items were common for different types of work (e.g. policy work is handled a little differently than process work).

- Daily Stand-Ups kept but repurposed to be a Daily Kanban Meeting with a shift from answering the 3 questions to reviewing key work items.

- Retrospective Meetings kept, but focus expanded to include the work and system.

- Sprint Reviews replaced with Delivery Meetings with Stakeholders.

- Replenishment Meeting set to same as Sprint length (2 weeks).

- Migrating to an Aggregated Team Kanban board. The Backlog is a visible link between the Committee & Anti-Fraud Team (unbounded queue for now). The Committee is becoming like an Upstream Kanban with a focus on marshalling options.

- Fraud Risk Mgmt Director (Service Request Manager) manages the marshalling of work items and has authority to either add them to the queue, consolidate them, or discard them (Policy).

- WIP was for individuals, now setting system WIP based on historical team velocity (# stories).

- Delivery cadence every 2 weeks (original Sprint length). However decoupled expedited and short-development time work items to deliver on demand and not end of “Sprint”. (Policy).
Successes

KEY OUTCOME ACHIEVED

Reduced effort spent on pre-investigation of work items from 17% of total effort to about 5%, thereby providing the team with about 42 person hours of capacity more per week.

These are other realized successes (so far):

• Provided substantial increased visibility into work (subjective measure).
• Eliminated the reliance on an artificial delivery cadence and enabled on demand delivery for high priority work items.
• Reduced overburdening of staff (see above -still need better measures).
• Provided a more predictable delivery system (team meets SLA's ~72% of the time).  NOTE: SLA's were deemed a risk and they have DEFINITELY been challenged to achieve.  But it was a starting point towards predictability and stakeholders know this (transparency).
• Defined explicit rules (policies) for accepting, executing and delivering work.
• Key customer satisfaction ratings have begun rising.  Up 6 basis points since Q2 2018. Internal stakeholder satisfaction ratings up 13 points in same time period.
Next Steps Being Considered (under team review)

Using Proto-Kanban at an ML1 (Emerging) maturity with small signs of ML2 (starting to consider flow and connected services), so there are many improvement opportunities and experiments.

Some ideas being explored are…

- Define explicit WIP on unbounded queue between Committee and Team (help measure flow).
- Get tighter on predictability and adjust SLA’s as they learn.
- Deal with irrefutable demand - discarding options is currently "not an option". Culturally this will be a challenge given the bank is risk averse and wants ALL risks resolved immediately.
- Define and use Classes of Service. Have these formally defined and visibly recognized on the board (right now they are just talk points).
- Make the policies for the Enterprise Risk Management Committee explicit. Have risk measures based on Cost of Delay, probability, impact and other known risk factors. In other words, make priority a data driven decision.
- Include downstream and other connected work (e.g. legal, compliance, Learning & Development, Technology & Operations - specific task teams) in the system (very large cultural rock to move).