

History of Lean

Moderator: **Scott Thurman** **Greystone**

Panelist : **Maria Elena Stopher** **Ultimate Lean, Inc.**
<http://www.ultimatelean.com>

Our Charter

Event Charter and Kickoff

Process Name

232 Elderly Health Care Facility Refinance or Purchase

Event Name

Seattle Multifamily Hub Value Stream Mapping

Process Boundaries (Start to End)

START: Preliminary Discussion Meeting

END: Final Closing

Why Do We Need This Event?

To Improve...

Consistency of decisions and processing: Timeliness in reaching Firm Commitment and Closing

Event Objectives

Improve Hub-wide/cross-team processing **consistency**; Improve staff capacity to deal with changing transactions and improve staff ability to focus on the "vital few issues" when assessing changes and risk.

Reduce time from **package to firm to 20-30 days**

Reduce time from **firm to close 15-30 days**

Start Date

29-Jan

End Date

31-Jan

Start Time:

8:30 AM

End Time:

4:30 PM

Meeting Location:

Process Owner(s)

Manager of Process:

Rene Greenhalgh, HUB Director

Process Expert(s)

Don Miller, OGC Counsel
 Mark Flynn, PC Director, SEA
 Michael Hayes, PC Director, PORT
 Kathy Budny, Dev Supv, PORT
 Sean Gallagher, Dev Supv, SEA

Mike Peeler, SR. construction MGR
 Wayne Harris, MF Rep, PORT
 Paul Rose, Appraiser, SEA
 Eva Sonsteng, Mortgage CR
 Mollie Yeatts, Mortgage CR
 Diane Ellingwood, MAP Coordinator, REP

Process Outiders

Tom Peters, CW Capital
 Scott Thurman, CW Capital
 Dan Sullivan, Wells Fargo

Facilitator(s)

Trained Facilitator:

Maria Elena Stopher

Section 232
 was once
 just a
 Housing Program

U.S. Department of Housing and Urban Development
 Office of Housing
 Federal Housing Commissioner
 OMB Approval No. 2502-0029
 (expires 10/31/2012)

Project number
 This form summarizes the FHA appraisal and analysis of market conditions. The appraiser's analysis of market conditions includes the value factors which have a bearing on the value of the subject property.

3. County
 4. State
 5. Avg. Monthly Rent
 6. Avg. Monthly Charges per unit
 7. Heating/A/C System

18. Heating/A/C System
 19. Heating/A/C System
 20. Heating/A/C System

21. Heating/A/C System
 22. Heating/A/C System
 23. Heating/A/C System

24. Heating/A/C System
 25. Heating/A/C System
 26. Heating/A/C System

27. Heating/A/C System
 28. Heating/A/C System
 29. Heating/A/C System

30. Heating/A/C System
 31. Heating/A/C System
 32. Heating/A/C System

33. Heating/A/C System
 34. Heating/A/C System
 35. Heating/A/C System

THEY ARE BEAUTIFUL, DAN!



Intro to Lean

- What is it?
- What constrains us?
- Some myths / truths
- How it works?

Lean Thinking

- Fundamental Objective: To create the most value while consuming the fewest resources.
- Define value from the customer's perspective.
- Identify which process steps create value and which are only waste (*muda*).
- Work to eliminate the root causes of the waste and allow for one-piece, continuous "uninterrupted" flow.

4 Things for Certain

- Together We Can:
 - Make the Service/Process More Defect Free (fewer mess-up' s / re-do' s) *Quality*
 - Reduce or Eliminate Waste (worker and recipient time) *Service and Lead Time*
 - Improve Workplace Appreciation (less stress and frustration at work) *People/Culture*
 - *Lean will NOT compromise quality, Risk, or compliance...in fact, it will enhance it!!!*

...What's the End Goal... Working Toward IDEAL – The Goal

- Identify exactly what the customer needs, defect free (LOW/DEFINED RISK)
- One-by-one, customized
- On demand, exactly as requested
- No waste in the process
- Immediate response to problems or changes

The 232 Story

- Strategically selected production 223f value stream
- Scoped and Chartered the event
- Mapped the Current State
- Identified problems
- Mapped Future State
- Developed Plan
- Rapid improvement Events (Kaizen)



The first days of lean

- What's the problem to be solved?
- What does success look like?
- When/Where is event?
- Who's Involved?

Our Charter			
Event Charter and Kickoff			
Process Name		Start Date	End Date
232 Elderly Health Care Facility Refinance or Purchase		29-Jan	31-Jan
Event Name		Start Time:	End Time:
Seattle Multifamily Hub Value Stream Mapping		8:30 AM	4:30 PM
Process Boundaries (Start to End)		Team Meeting Location:	
START:	Preliminary Discussion Meeting		
END:	Final Closing		
Why Do We Need This Event?		Process Owner(s)	
<p>To Improve...</p> <p>Consistency of decisions and processing: Timeliness in reaching Firm Commitment and Closing</p>		<p>Manager of Process:</p> <p>Renee Greenman, HUB Director</p>	
Event Targets		Process Expert(s)	
<p>Improve Hub-wide/cross-team processing consistency; ; Improve staff capacity to deal with changing transactions and improve staff ability to focus on the "vital few issues" when assessing changes and risk.</p> <p>Reduce time from package to firm to 20-30 days</p> <p>Reduce time from firm to close 15-30 days</p>		<p>Don Miller, OGC Counsel</p> <p>Mark Flynn, PC Director, SEA</p> <p>Michael Hayes, PC Director, PORT</p> <p>Kathy Budny, Dev Supv, PORT</p> <p>Sean Gallagher, Dev Supv, SEA</p> <p>Roger Lewis, Dev Supv, SEA</p> <p>Mike Peeler, SR. construction MGR</p> <p>Wayne Harris, MF Rep, PORT</p> <p>Paul Rose, Appraiser, SEA</p> <p>Eva Sonsteng, Mortgage CR</p> <p>Mollie Yeatts, Mortgage CR</p> <p>Diane Ellingwood, MAP Coordinator, REP</p>	
		Process Outsider(s)	
		<p>Tom Peters, CW Capital</p> <p>Scott Thurman, CW Capital</p> <p>Dan Sullivan, Wells Fargo</p>	
		Facilitator(s)	
		<p>Trained Facilitator: Maria Elena Stopher</p>	



The Project team will participate in a 3-day event to improve the FOIA value stream



Day 1 Activities:

- Map out the current process
- Identify wastes and process step values
- Define the existing timeframes and metrics for each step of the process
- Understand sources of underperformance

Day 2 Activities:

- Map out the future state
- Identify current state-future state gaps
- Estimate the improvement potential of key metrics

Day 3 Activities:

- Identify and prioritize improvement actions
- Develop an action plan and assign owners for each action item

The way we were...

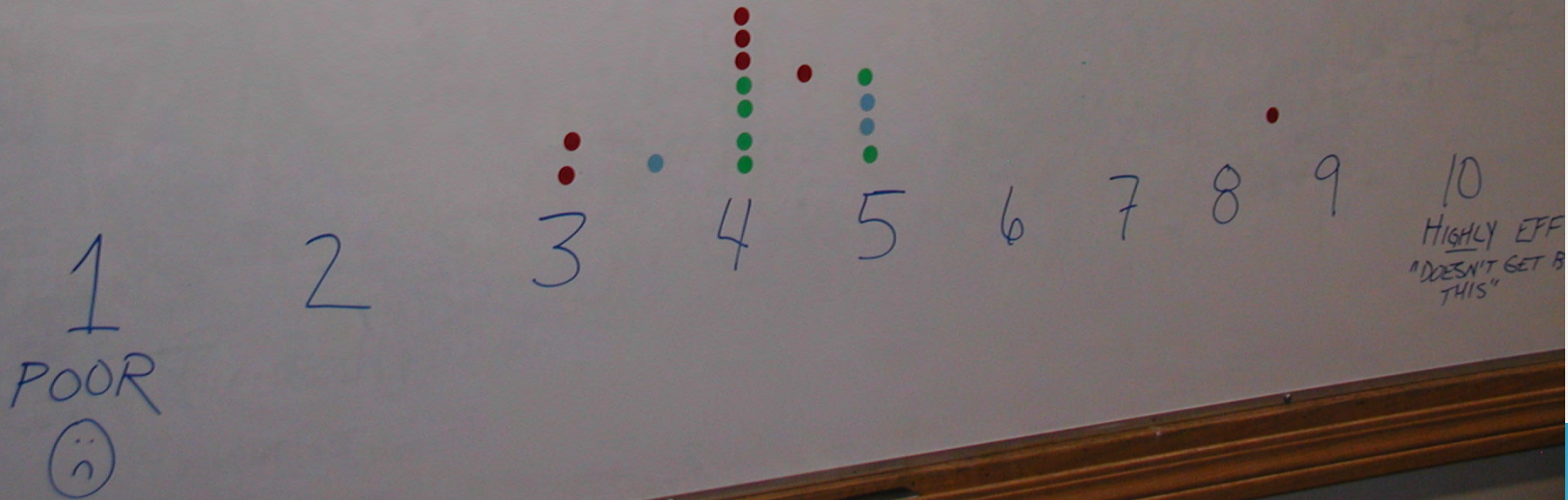


Purpose of Mapping

- Visualize work (within a value stream or process)
- Point to problems (from a system perspective)
- Focus direction (so the system benefits as a whole)

How Would You RATE THE EFFICIENCY OF THE
CURRENT 232 DEVELOPMENT PROCESS?

Nobody was Happy...except for Don!

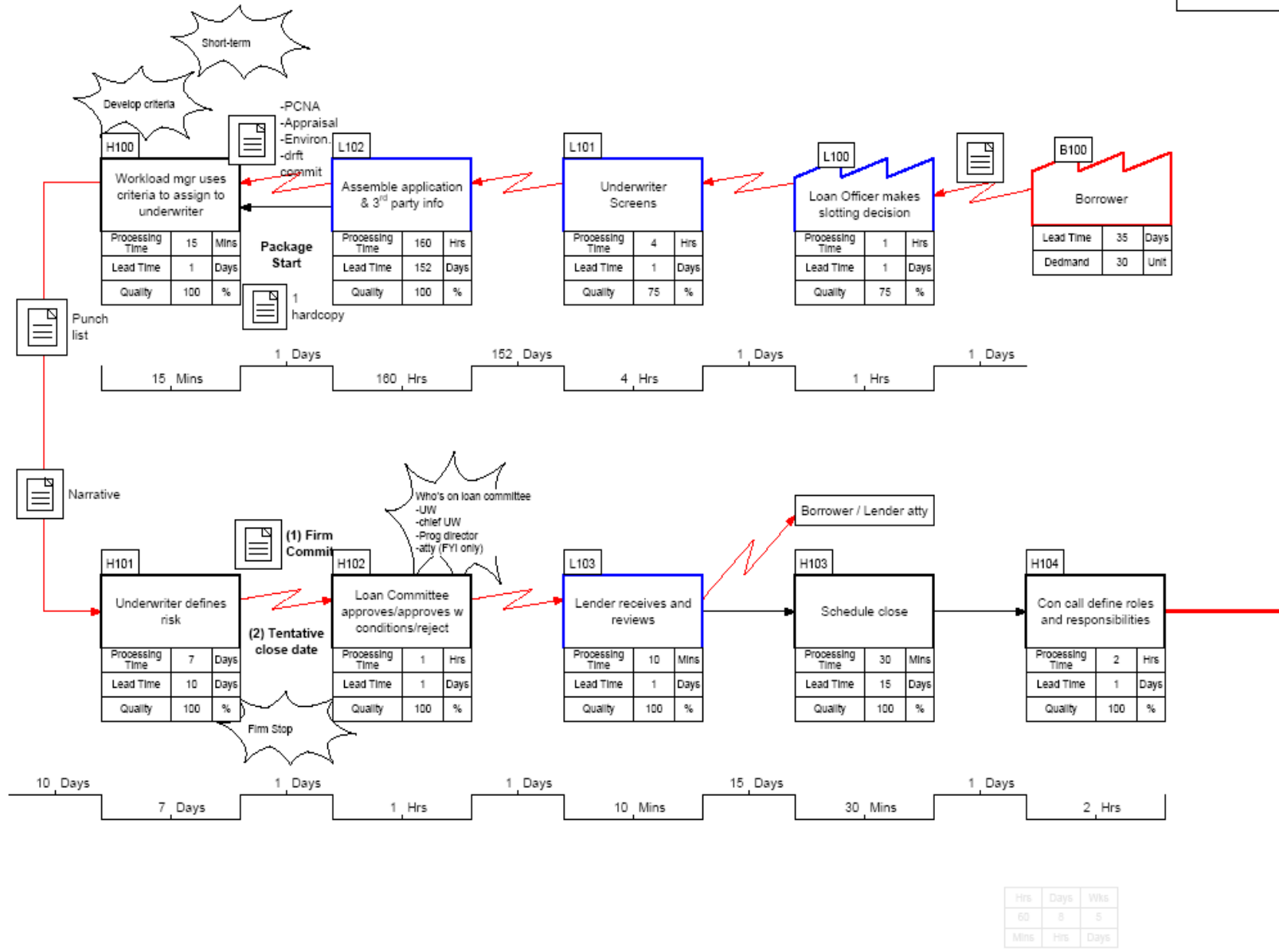
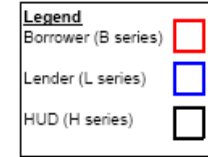


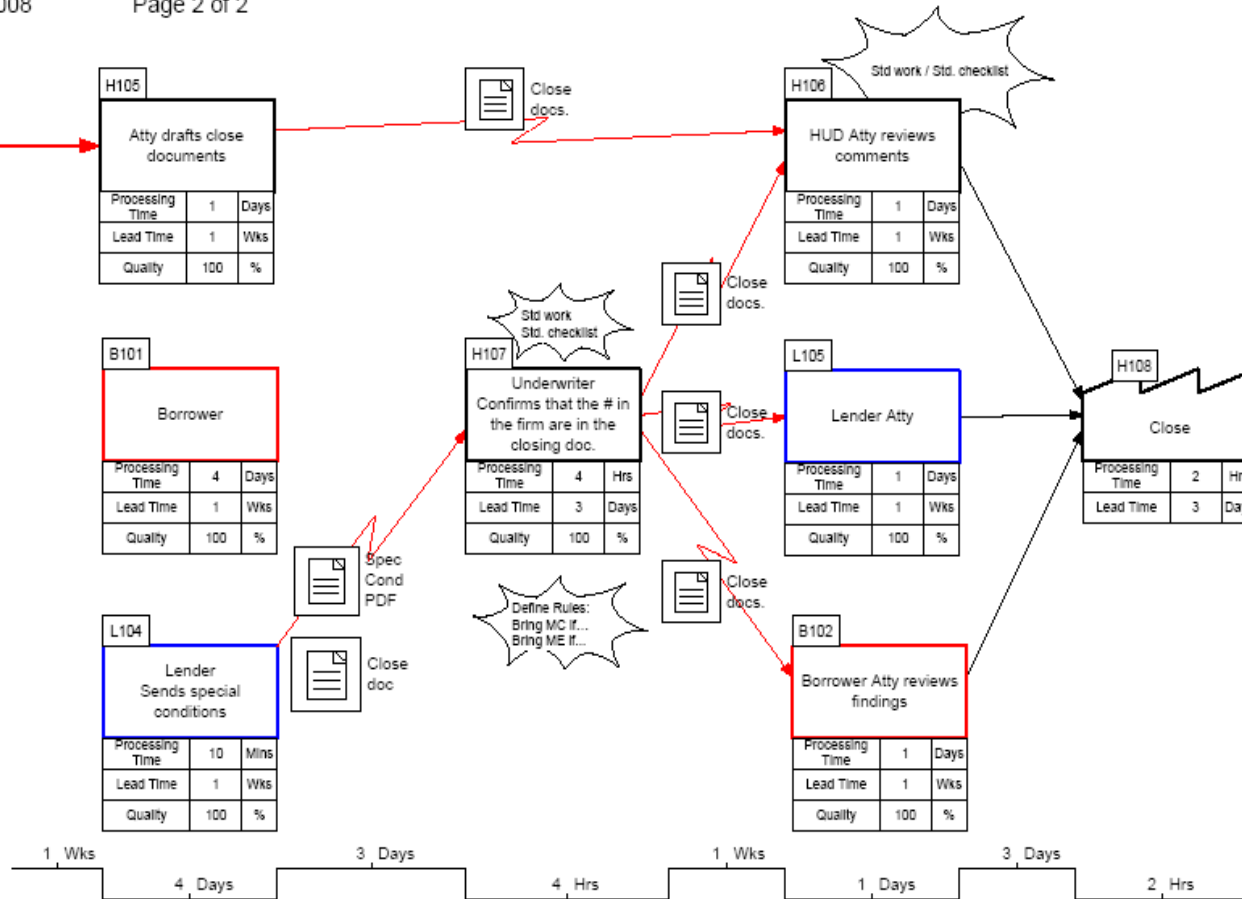
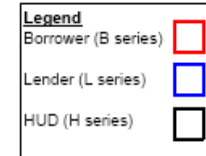
...not even Mike!





...So the Team
Created their
Future...and it looked
like this...





Metrics

L/T:
 Engagement letter to Close = 194.0 days
 Package to Firm Commitment = 11.0 days
 Firm Commitment to Close = 29.0 days
 Total Package to Close = 40.0 days

P/T:
 HUD = 10.2 days
 Lender = 21.8 days
 Total = 31.8 days

%CA = 58%
 TAKT = 2.7 days
 No. Steps in Process = 18
 Customer Satisfaction = 8.6 / 10.0
 Demand = 90

Hrs	Days	Wks
60	8	5
Mins	Hrs	Days



The Comparison

METRICS	CURRENT STATE	FUTURE STATE
Lead Time Package to Firm Commitment	48 days	11 days
Lead Time Firm Commitment to Close	98 days	29 days
Process Time	16 days	10 days
Customer Satisfaction	4.4 / 10	8.6 / 10
Demand	15	90



What we did...

- Redefined Risk
 - Financial
 - Physical (including environmental)
 - Quality of Care
 - Character (OPERATOR!)
- Standardized
 - Lender input (lender narrative)
 - Underwriter Punchlist
- Underwriter model bringing in SME based on risk (decision circuit, OGC, construction management, corporate credit, etc.)
- Instituted huddles and visual dashboards

...Results

Dramatically reduced risk to portfolio

Tied risk to operator, reduced risk

Standardization Easy to teach, coach and transfer knowledge consistently and work sharing across country

Single underwriter allowed for more effective use of resources and RIGHT resources directed to highest risk deals in lieu of “everyone doing everything”



Remember These...

Balance Efficiency and Quality



I Love Lucy
Chocolate Scene



Proprietary Earnings Anyone?



Heavy Lifting

Needed to Design all new:

- Standards of Work
- Checklists
- Narratives
- Certifications and Forms
- Legal Documents
- Training Materials
- Handbook

Kaizen

“Change for Better”

改 善

Kai = Change

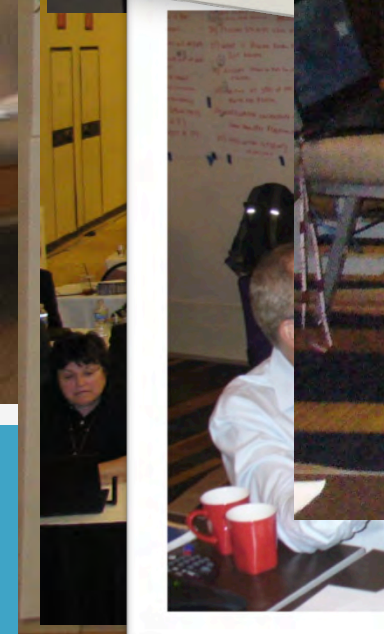
Zen = Good

Remember when

- The ORACLE was going to fix HUD's internal process
- Email Blasts modified the MAP Guide before the 232 Handbook
- The 232 Handbook was issued



RETURN IN
AL NEGOTIAT
NARRATIVE
ets Docum
IS DIFFICU
T VERSION -
of Bonnam
AY Bob Dow
TO FOR
NALYZE
OSS HVD
LIST



the
close
memo d/c
AER 44 5/10
due 5/20
Eva Review
2011/12
Cost Cont
Computer - 5/10
Lender response
1/14/11
-MS
A/R d/c
at 5/10
S FOR
RITE
commi
25) APPLICATION
INCA

A Lean Culture (Checklist)

- Always *customer* focused
- Encourages *everyone to contribute ideas*
- Encourages everyone to *problem solve*
- Enjoys the *visible support* of all leaders
- Helps everyone keep *learning* and getting better
- *Quickly responds* to improvement suggestions
- *Communicates a clear vision* to all
- Has a *clear role for everyone* in the organization
- Uses *work teams* to solve problems
- Is *totally committed to continuous improvement*



Continuous Improvement (CI)

Old Adage:

“If you always do what you always did, you’ll always get what you always got.”

Competitive Corollary:

“In times of profound change, the learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.”

AI Rogers



We Look Forward
to the Future!

THANK YOU!