Lean Finance: Where Are We Now?

Wednesday 25, 2016 10:30am-12:10pm  CPE2

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Chuck Springer, Director of Finance, City of Denton, TX
Robert Bendzick, Chief Financial Officer, Olmsted County, MN
City of Roanoke, VA
City of Roanoke
Guiding Principles

• Customer Service
• Accountability
• Valuing Diversity
Assure community safety needs are met and promote a safe and desirable region.

Enhance Roanoke’s exceptional vitality as an attractive, diverse, culturally inclusive, vibrant and active city in which to live, work and play.

Maintain and build quality infrastructure that supports healthy residential neighborhoods, successful commercial areas, and accessible public facilities and amenities.

Foster a caring community that utilizes a regional and collaborative approach which encourages self-sufficiency while providing a social safety net to citizens when they are most vulnerable.

Cultivate a thriving business environment and innovative workforce opportunities to ensure the prosperity of our community.

Foster an environment for lifelong learning which encompasses cradle to career and beyond through shared services and community involvement.

Provide effective government which maximizes resources to ensure an open, responsive, and innovative service to the community.
• Department of Industrial and Systems Engineering
• Virginia Tech Roanoke Center
Examples of Va Tech Senior Design Team Projects

- Reduction of rights-of-way mowing cycles
- Increase efficiency of regional transit parts tracking & improve parts inventory room layout
- Streamline Department of Social Services intake process
- Electronic summons workflow project
- Police body camera video file storage and retention
Examples of Lean Six Sigma Green Belt Projects

- Improve real estate tax sale process
- Improve efficiency of Family Medical Leave Act process
- Streamline police patrol lineup process
- Improve % of online applications for public assistance in Dept of Social Services
- Streamline placement of liens on past due code violation bills
- Improve customer service for Limited English Proficiency (LEP) clients in social services
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<th>Suppliers</th>
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<th>Process</th>
<th>Outputs</th>
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More than tools…

It is creating a culture that respects the individual
DRIVE: THE SURPRISING TRUTH ABOUT WHAT MOTIVATES US

DANIEL H. PINK

AUTHOR OF A WHOLE NEW MIND
Modern approach to motivation and engagement has three dimensions:

- **Mastery**— the urge to make progress and get better at something that matters
- **Autonomy**— the ability of employees to direct their own lives and have control over their work and have a passion for what they do and the services they provide.
- **Purpose**— the yearning for work to be in the service of something larger than ourselves. This drives passion which drives further employee engagement and commitment.
direct the rider
motivate the elephant
shape the path
Change the Game
The Breakthrough Strategy for Energizing Your Organization and Creating Accountability for Results
Roger Connors and Tom Smith

A pyramid diagram with the following layers:
- **Experiences**
- **Beliefs**
- **Actions**
- **Results**

Arrows indicate the flow from experiences to beliefs, then to actions, and finally to results.

Coaching is an ongoing long-term investment for change.
Lean in Local Government Conference

IMPLEMENTING LEAN
Operational excellence for local government

Discover how effective leadership and lean systems create greater customer satisfaction and efficiency in government.

March 3-4, 2016
$319/person
The Hotel Roanoke and Conference Center

Virginia Tech Roanoke Center

Register Now
www.cpe.vt.edu/ilean

For more information contact Erin Burcham 540-767-6145 or erinb1@vt.edu.
PROJECT STATEMENT

- **Project Goals**
  - Reduce the time the Tax Sale date and the date the deed is recorded by 50%

- **Scope**
  - Date of Tax Sale to Deed Recorded

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Lean Systems: The Toyota Way

1. PDCA Learning Cycles
   - 1. Systematic Problem-Solving
   - 2. Continuous Improvement
   - 3. Respect for People
   - 4. Best Customer Results

2. Continuous Improvement
3. Respect for People
4. Cost, Quality, Speed, Service
Next steps

• Continue and expand Lean/six sigma training in partnership with VT
• Continue to participate in VT senior design projects
• New position in FY17: Lean/six sigma coordinator, who will work out of the city manager’s office
• And..
IMPLEMENTING LEAN FOR OPERATIONAL EXCELLENCE
March 1–2, 2017
The Hotel Roanoke and Conference Center
Hosted by:
The Virginia Tech Roanoke Center and
The City of Roanoke, VA
Lean in Local Government Academy at Virginia Tech Roanoke Center
Case Study: Denton, TX
City of Denton, Texas

- Northern edge of Dallas – Fort Worth Metroplex
- 97.4 square miles, incorporated in 1866, Denton County seat
- Population – 128,014
- Growth since 2000 – 37%
- Two state universities – 52,500 students
- Full service city – airport, electric utility, landfill
- City Manager form of government
Denton’s Lean Journey

- Started in Finance Department
- Approved after discussions with City Manager and ACM’s
- Seen by leadership and directors as a “Finance Program” (cultural change challenge)

Outcome of Budget Process
- Greater needs than resources
- Growth demands for service
- Opportunity to make better use of current resources
Beginnings

- Received proposals from three firms, interviewed each firm
- Funding was from budget for internal audit studies
- Began discussions with Harry and set up an initial “Lean Team of 8 hand-picked members”
- Lean Team held a brainstorming meeting for first Kaizen events
- Second meeting voted on list of potential Kaizen events
Beginnings - Continued

- First two events selected – hiring process and purchasing process for items approved by City Council
- Lean Training of Leadership Team - February 2014
- Hiring Kaizen Event – March 2014
- Purchasing Kaizen Event – April 2014
- Formed Lean Steering Committee – May 2014
  - 7 of original 8 lean team members and an ACM
- Held Train the Trainers/Lean Coaches – June 2014
- Engineering development review Kaizen – December 2014
Hiring Kaizen Event

- Goal – reduce time from approval to job filled from 65.5 days to 40 days (exceeding goal)
- Data showed 32 of 192 hires in 2013 applied on same day as job posting/median of 6 days
- 55% of postings were continuous until hired – changed to 4 day posting for most positions
- Total steps reduced from 27 to 16
- Better use of screening criteria to reduce applications requiring hiring manager review
- Intranet site checklist developed – much easier
Additional Kaizen Events

- Purchasing – items for City Council
- Engineering - development review
- Complete development review process
- Meter reading to cash (planned)
Lean Trainers

- 10 Current Coaches – teams of 2
- Coaching is in addition to their normal job
- Each team assigned 4 departments/divisions
- Meet at monthly lunch and all are invited to steering committee meetings
- 7 of 10 coaches were involved in one of original two Kaizen events
Elevator Speech - External Stakeholders

Our City is experiencing tremendous growth, it's visible and palpable. In fact, Denton is on track to have a 65 percent increase in population to over 200K by 2030. This growth will place great demands on the entire organization from the utilities to public safety, recreation & leisure to general government. To meet this demand, we intend to have controlled growth in our capabilities by innovating and reinventing ourselves rather than just adding equipment, staff, and layers of bureaucracy.

By applying methodologies proven in manufacturing, health care, service industries and even government, Denton can remove many of the annoyances and obstacles to our jobs that we run into every day and take our focus away from the real work. This work is rewarding, meaningful and creates a better community. This is Denton's LEAN Journey.
What is Lean?

Denton’s employees are our most important assets. Lean is a culture that invests in employees by providing opportunities for more meaningful work. Lean practices draw upon employees to remove redundant and inefficient processes, and enhance skills in order to provide outstanding customer service.
Monitoring Results

- Spreadsheet summary and detail on each accomplishment
- Current estimated savings
  - Hard savings – $556,948
  - Soft savings – $71,088
- Staff time savings – 7,310 hours
- For Denton – handling more with the same staff
Smaller Victories

- AP – Definition of original invoice
- Purchasing cards $1,000 versus $3,000 daily limit
- Utility customer refund checks – allow read only access to bank file
- Fleet – vehicle purchase form
- Electronic signatures for contracts
5S Events

- Economic Development, IT, Finance
Cultural Change

- Departmental budget presentation to City Manager include process improvements and future improvement plan
- Spread coaches among various department (infiltration)
- Coaches are younger – next level managers
- Considering training class – including individual project
- Hope to expand coaching group
- Challenge of starting conversation with employees- without feeling threatened
- Some divisions have thrived with lean principals, while others are not as receptive
Lessons Learned

- Get to the people that actually do the work
- Marathon not a sprint - be patient
- Facilitate instead of command – empower the energized
- Change the conversation – instead of starting with solutions, what is the problem and prove it with data
- Maintaining momentum and enthusiasm is difficult
- Changing human nature is not easy
Case Study: Olmsted County, MN
Olmsted County, Minnesota

- 150,000 Residents
- Minnesota’s 8th largest county
- $200 million annual budget
- 1,200 employees
- Aaa/AAA rated
- Home of the Mayo Clinic.
Olmsted’s LEAP Project

• **Lean Efforts and Automated Processes (LEAP)**
  • Olmsted has had long term, pocketed use of Continuous Improvement principals
  • State of Minnesota set a spark with an instructor who taught Lean principals and tools.
Olmsted’s LEAP Project

- The Minnesota Demographer and Economist toured the State delivering the message everywhere they could that a New Normal was coming.
  - Limited applicants for jobs
  - Limited resources because retired people don’t pay as many taxes.
Olmsted’s **LEAP** Project

Let me repeat:

- Limited applicants for jobs
- Limited resources because retired people don’t pay as many taxes.
Olmsted’s LEAP Project

• We were already pinched for staff because of the Great Recession.
• To do our jobs we had to work around the limits we faced.
• We had to be smart.
Olmsted’s **LEAP** Project

- LEAP has been a Middle Out project.
- It wasn’t one person’s push. It came from multiple people.
- Multiple departments and multiple levels of managers saw Lean as an answer.
Olmsted’s **LEAP** Project

- Our staff engagement started with the fact that many of us saw this as:
  - a survival tool,
  - the right thing to do, and
  - our baby
Olmsted’s **LEAP** Project

- Our IT, HR, Communications & Strategic Planning Directors, and the CFO, self organized.
  - Multiple amateur Kaizen Events had started and many staff were interested.
Olmsted’s **LEAP** Project

- We planned a 7 person team who would be available to all departments.
- We presented to the Board a request signed by all 14 department heads recommending LEAP.
- We funded with reserves to start and plan to convert to current funding if successful.
Olmsted’s LEAP Project

• The proposal was for $6 million dollars.
  • Half was for the purchase of an Electronic Document Management System with workflow capabilities.
  • Half was for 5 years of 7 staff people.
Olmsted’s LEAP Project

• The County Administrator recommended it.
• The County Board approved it.
• Off we went.
Approach to Implementing LEAP

• We gathered a list of 1,500 processes from all departments.
• We asked to be invited to departmental management team meetings.
• We tried to select processes that had a good ROI. We had promised to pay our way.
Approach to Implementing LEAP

• Our LEAP Team was made up of:
  • 1 Facilitator Manager
  • 1 Senior Facilitator
  • 2 Facilitators
  • 1 Project Manager
  • 2 Automation Analysts
Approach to Implementing LEAP

• We began organizing Kaizen Events and 5S events.
• We planned to work a rotation across all departments.
• We reported to the Board semi-annually.
Approach to Implementing LEAP

• We presented nuggets about Lean and what we were doing at Department Head and Supervisors meetings quarterly.

• We got a tab on our intranet site so that staff could see what we were doing.
Approach to Implementing LEAP

• We asked for volunteers from departments to go through a training process to become auxiliary facilitators.
• People who participate in Kaizen and 5S events also are exposed to the ideas and techniques.
Leveraging Technology with LEAP

• Half of the LEAP Initiative was replacement of our old document storage system with newer technology that also included workflow capabilities.
• We moved 3.3 million documents from one system to the other – it was painful.
Leveraging Technology with LEAP

• The biggest savings to date from the LEAP Initiative came from a purchased package-workflow for Public Assistance and Child Care. We avoided hiring 12 new staff people to work with the Affordable Care Act.
• All indications are the biggest savings from Lean come from automating manual processes.
Leveraging Technology with LEAP

• In Finance we:
  • Automated expense reimbursement through SharePoint.
  • Automated Accounts Payable processing through a SAAS (software as a service) workflow.
Leveraging Technology with LEAP

• In Finance we:
  • Automated receipt of ACH payments in Treasury – see the article in GFOA’s Treasury Management Newsletter – February 26, 2016.
Leveraging Technology with LEAP

• In Finance we:
  • Freed up FTEs through Lean and created a 4 person Finance Analytics Systems Team (FAST) to boost our productivity by automating anything and everything.
Staff Engagement with LEAP

• All County staff have been exposed to LEAP in one way or another:
  • Leap Day events February 29.
  • Intranet site.
  • Participation in Kaizen or 5S events.
Staff Engagement with LEAP

• All of our staff have been exposed to LEAP.
  • Approximately 20% of our staff have participated in an event of some kind.
  • That means that 3 years in, 80% still only have heard, read, or attended minor discussion about it.
Staff Engagement with LEAP

• It’s not always easy –
  • On the front end of automation an AP tech said “I can’t do my job that way.”
  • When the workflow was running and “normal’ that changed to “please don’t take it away from me.”
Staff Engagement with LEAP

• We now have maintenance staff able to 5S their own work areas.
• We have staff across the County able to do amateur Kaizen events with their co-workers.
• We have a waiting list of requests for assistance.
Staff Engagement with LEAP

• If we stopped right now, I don’t think it would all come undone.
  • There are places that would walk away from it and forget.
  • There are places the staff would continue and expect management to allow them to improve processes.
3 Years In – Lessons Learned
3 Years In – Lessons Learned

• Experience is a great teacher.
  • The governance model worked and we are trusted. This doesn’t have to be a top down imposed solution.
• We have paid back the reserve usage that got us started.
3 Years In – Lessons Learned

• Experience is a great teacher.
• This is a great Public Relations tool. People want us to be more “business like” and evidence of improving our processes helps that perception.
3 Years In – Lessons Learned

• We’re sad about:
  • We didn’t catch many breaks
    • The original staff mix didn’t work.
  • Some managers have no inclination to try it. They don’t get it and we don’t force it.
3 Years In – Lessons Learned

• We’re sad about:
  • A few managers held their own Kaizen events and didn’t follow through thereby angering their staff. Really bad vibes. (The official LEAP product includes a formal hand-off to encourage follow through.)
3 Years In – Lessons Learned

• Unhappy surprises:
  • Designing an automated work flow takes more effort than anyone told us.
  • There’s the happy part with the Kaizen event but then somebody has to do the formal work of gathering requirements and coding it.
3 Years In – Lessons Learned

• Unhappy surprises:
  • Moving all of our documents from the old system to the new ate up 99% of available IT resources.
  • We are fighting to get additional resources to automate more.
3 Years In – Lessons Learned

• Unhappy surprises:
  • Some managers have hijacked the process to get something they want. Preconceived outcomes are a poor start and we didn’t want to be dragged into your fight.
3 Years In – Lessons Learned

• Unhappy surprises:
  • Even when offered a tool to dig out from being buried some people won’t, for a variety of self-imposed reasons, take advantage of it.
3 Years In – Lessons Learned

• It was the right thing to do and we’d do it again.
• Finance has benefited greatly by removing the things that don’t add value. It has saved our bacon and has kept us adding value.
• It has given us some control back.
3 Years In – Lessons Learned

• This is a tool that employees who are desperate and overloaded can count on to find some relief.
• The idea is spreading and coming into our culture. (Finance and Organization wide.)
• Employees enjoy having input.
3 Years In – Lessons Learned

• Employee engagement is improved through seeing their input on processes used and through their understanding of why the process works the way it does.

• A Kaizen event is a great teacher.
3 Years In – Lessons Learned

Thank you for your attention!

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