



The LEI senior executive series on ...

Lean Leadership

As part of a continuing series on leading lean transformations, the Lean Enterprise Institute (LEI) will interview executives from a variety of companies to explore the challenges lean transformations present to senior managers.

Here are perspectives from Chris Vogel, senior vice president, Wells Fargo Home and Consumer Finance, on the unit's lean journey, which began shortly after the Federal Reserve initiated a period of continually lowering interest rates to keep the economy afloat after the 9/11 terrorist attacks. Wells Fargo was flooded with paperwork as real estate transaction volume more than doubled. Existing technology did not scale well and existing processes were stressed to capacity. Operations responded with new automation, but more importantly, with new, leaner processes for handling paperwork that revolutionized the way transactions were done. Based on the Toyota Production System, the re-designed processes applied principles such as standardized work, pull, value-stream mapping, and a rigorous cycle of plan-do-check-act to create an even flow of documents and eliminate large batches.



Chris Vogel

LEI: *Wells Fargo isn't the typical metal bashing business that embarks on a lean transformation. Why did you launch a lean conversion and did the lean principles that were born in manufacturing apply?*

Vogel: We didn't begin with an approach to do lean. We started with an approach to do operational excellence. We wanted to improve the way we process transactions within our organization and we wanted to see if the disciplines that existed in other industries could apply.

In the process of looking, we discovered lean. In the beginning we thought it was a tool to do continuous improvement and waste elimination. But as we started to practice some of the techniques, we learned it was much more than that. It was actually the operational excellence model that we were looking for. We started to adopt a lot of the philosophy, undercurrents, and concepts that lean has made a part of its model and made them a part of our model.

LEI: *Describe the work that Home and Consumer Finance does.*

Vogel: We are a provider of financial solutions to the public. It's a little bit nontypical of what you would think of as a bank. A lot of people would think of a bank as a place to deposit money, make sure your checking account is current, or exchange money in some way. The groups under home and consumer finance are oriented to the mortgage industry, personal finance, extending lines of credit, credit cards, insurance, -- too numerous for me to list them all -- but they started as part of a bigger organization trying to provide total financial solutions to people's financial needs.

LEI: *The unit where the lean transformation is occurring is a unit that ultimately gets the paperwork when a listener refinances a mortgage, takes out a home loan or a boat loan?*

Vogel: That's true. We started as part of the mortgage organization. As we developed our services, we developed practices, sites, and skills that supported the handling of paper, the conversion of paper to electronic images, and lifting data from paper. As we deepened our skills, we became a service provider more broadly to other parts of the organization. Today we're not limited by our original identity with the mortgage company. We provide processing for most of the division within the Consumer Finance Group.

LEI: *After the terrorist attacks on 9/11, the government lowered interest rates and you were swamped with work.*

Vogel: Yes, that was probably the biggest finance wave experienced by the mortgage industry. There were historically low interest rates available to people and they took advantage of them to get lower monthly payments on their homes. In the process of refinancing, they created an enormous amount of paperwork and paper handling and stress on the overall industry of which we are a major player. We had never experienced that level of volume before.

LEI: *And that created the need or the incentive to look at lean?*

Vogel: It became an incentive for us to look at things differently. We needed to change our process in some way.

LEI: *In this transformation, what have you found to be the largest challenges in your experience and what have you done about them?*

Vogel: The largest challenge was that people did not see lean as something that was akin to an office environment. They saw it as something that was for manufacturing and initially when they didn't know enough about it, they saw it as sort of an insult to their creativity. So we had to do a lot of training so people understood that doing good operations was not in any way an insult to their intelligence. As a matter of fact, it showed a deep respect for people to do their work in this way because it engages them in the process and it demands that they are a part of the improvement process.

The other challenge was that the leadership team was for a very long time entrenched in doing these processes in particular ways because that's how they were rewarded by the organization --

to make sure that all of the regulatory requirements, all of the internal compliance requirements, all of the service levels that our business partners needed, would be met. So as we asked them to be a different type of leader and to allow the model to change, they needed to see that we would support them as well as the process and that we would allow people to make a few mistakes along the way. That was a part of learning and was perfectly acceptable.

They needed to see that problems were something that we valued because they would tell us things we needed to resolve and that lean was not an exercise in getting rid of people. Really, the only purpose for lean is to grow your business. So if you are looking to grow your business -- lean and operational excellence as we termed it -- is the way to do that. If you are looking to just cut heads, the old command and control process is a good way to get that done but it's not people oriented and it doesn't fit with the vision and values we have in Wells Fargo.

LEI: *What have you found that you had to change about the way you manage and lead your organization in order to get results from your transformation efforts?*

Vogel: I think the process of my own evolution has been extensive. I was trained as a command-and-control leader. And I have worked at a lot of different levels in the organization, so I saw the effect of it. I have personally pursued in my own professional development ways to look at that from a different perspective. I found that what we built with operational excellence and what lean offers in its true sense is a different way to lead people. I have to challenge myself to continuously examine whether or not I am falling into my old habits of overly directing people, rather than being a developer of people, a leader of people, and someone who is creating an environment that allows learning and encourages and nurtures the growth of people. So that has been a big transformation for me. I'm not anywhere near the end of that journey but I now feel like I have a good idea of what I'm not good at and how I have to stay focused.

LEI: *So it sounds like your role has changed to one where, in a manufacturing setting, instead of building products you'd say you have to build people first.*

Vogel: Undoubtedly and absolutely.

LEI: *Have you had to make organizational structural changes to support the lean transformation?*

Vogel: The answer is many. If we look at each part of the transactional process we do as a continuous improvement activity and then we start to look at the bigger organization to see if we are continuously improving as a group, we'd be remiss to say that we couldn't continuously improve our organizational structure.

As we went from a previous state of how work was done to a new state with a lean approach, we've had to create a culture that accepted the continuous improvement of our organization. A couple of key things that are visible to people are that the technical resources that used to support our work from afar now sit as a direct part of our organization. The team members who work on continuous improvement activities work together on focused teams around the value stream,

rather than around a component or around a particular production location. They work focused on a value stream, so they are building knowledge in their value stream, whether they are software developers, testers, or project managers. That has been a fundamental shift in how our organization improved the pace and the pitch between improvements in operations and improvements in groups that provide support.

LEI: *The support groups are physically located next to the value streams?*

Vogel: They are physically located together whenever we can, and when we can't they are assigned as work teams with the people who are in those locations and they have standardized work where they meet every morning for 10 minutes to discuss what they plan to accomplish that particular day, then they meet again the next day. But they work together as a team for the improvement of the value stream.

LEI: *What would you say is the key to sustaining improvements?*

Vogel: We found that the way to sustaining improvements is through standardization. If your process is not standardized, you can't improve it because it has a great deal of variation in it. If you change it, you've just added more variation. It's impossible to know if you did anything right or not. The output might be an accidental output that looks like an improvement or maybe it's something you didn't expect at all. Then it becomes really hard to improve an activity because you didn't start from a solid base. So for us, the recognition that standardized work is fundamental to continuous improvement has been a big key learning for us along with looking at it from the perspective of transactional processing. It's allowed us to increase the velocity of change by ensuring that the change is stabilized before moving on.

LEI: *You just delivered a keynote address at LEI's Lean Transformation Summit in which you described the transformation you're going through. Can you characterize how the customer's experience has changed as a result of what's going on at Wells Fargo?*

Vogel: When we speak of the customer at Wells Fargo, we're talking about the person on the street who comes in and decides to do business with us. In my department, most of the work we perform is for our business partners who are the ones interacting directly with the customer. We have improved the service levels and quality significantly -- much more than double of where they were -- to support our business partner so they can make better decisions and more timely decisions on behalf of meeting our customers' needs. They have used those benefits directly to provide benefit back to the customers in speed, decision making, and clarity of transaction. That's how we've benefited the customer on the street.

Chris Vogel

Chris Vogel is senior vice president, Wells Fargo Home and Consumer Finance, a division of Wells Fargo Bank, NA, Document Management. He is the division leader for Document Management, an operational support group within the Home and Consumer Finance division of Wells Fargo, one of the nation's leading providers of financial services. Vogel's responsibilities as division operational leader include the overall business and strategic direction of document imaging and storage, data lifting, and electronic content management.



Vogel has more than 20 years of leadership in financial and nonfinancial industries, focusing on transformational leadership. He was an MIS and testing team manager, director of Final Documents, and vice president of Post Closing Finance and Technology for Wells Fargo Home Mortgage. Vogel earned a bachelor's degree in accounting from the University of Minnesota, Duluth.