



Wells Fargo

Document Management Operational Excellence

Lean Transformation Summit
March 6th, 2008

Discussion Overview

- Company and Document Management Overview
- Motivations and Opportunities for Change
- Changing the Document Management Culture
- Where we Started
- An Example of our First Major Transformation
- What we Learned and What did Next
- Results
- What we Might do Differently
- What we are Doing Now

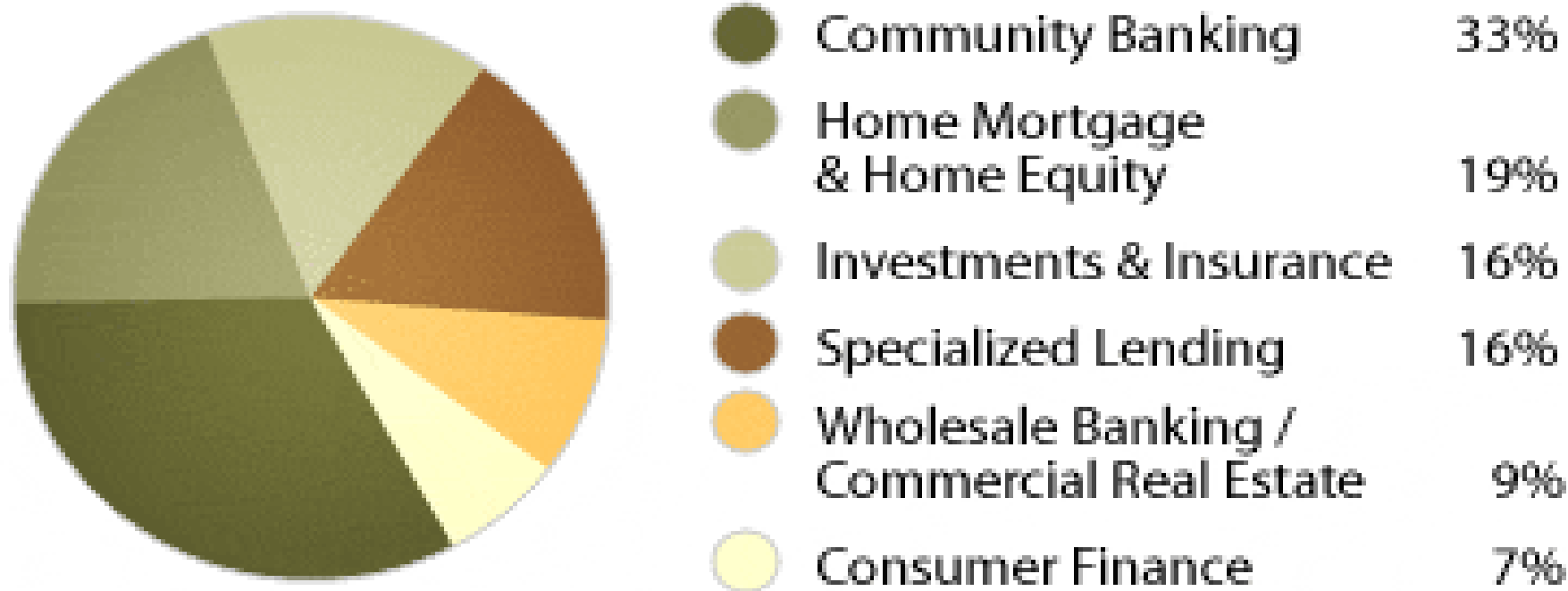
Who We Are

Wells Fargo & Company (NYSE: WFC) is a **diversified financial services company** providing banking, insurance, investments, mortgage and consumer finance through almost 6,000 stores, the Internet and other distribution channels across North America and internationally.

We're headquartered in San Francisco, but we're decentralized so every local Wells Fargo store is a headquarters for satisfying all our customers' financial needs and helping them succeed financially. Wells Fargo has \$540 billion in assets and 158,000 team members across our 80+ businesses. We're the United States' 25th largest employer. We ranked fifth in assets and sixth in market value of our stock among our peers as of June 30, 2007.

Our vision: We want to satisfy all of our customers' financial needs, help them succeed financially, be the premier provider of financial services in every one of our markets, and be known as one of America's great companies.

Diversity of Businesses



Our diversity of business lines makes us much more than a bank. We're a diversified financial services company.

Who is Document Management?

Document Management is a support team providing paper imaging, electronic document routing, data lifting and document storage services to the Home and Consumer Finance division of Wells Fargo. The Home and Consumer Finance division includes the following groups; Home Mortgage, Financial, Insurance, Home Equity Lending, Credit Cards, Student Loans, Trust Services.

To serve our internal Wells Fargo Business Partners we have operations in NC, MN and Iowa. We have 600 team members providing services over two shifts, six days a week.

Our processes are continuously improved in partnership with our business partners to provide the most quality centric, secure and cost effective value, meeting the needs of Wells Fargo customers.

Conditions Motivating Change

- Organic growth of imaging, data lifting across unconnected groups
- Technical infrastructure was becoming highly variable in design increasing cost
- Operations disciplines were defined by each separate process and department
- Volume nearly tripled to a record high following the Federal Reserve's response to the 911 attacks

Opportunities for Lean

- Departments were merged into a single division allowing a central vision to develop
- The value of work effort was not clearly identifiable
- Many, many handoffs
- Processes were designed around batching work
- Work in process was stored in rooms out of the way and out of site until it was processed
- Defect rates and service performance were hard to measure
- Without adequate processes, management was required to respond to the “loudest” priority

Where Did We Start?

- Began value stream mapping our process
- Made our processes obvious; and started changing them
- Built our Operational Excellence Model

Began Value Stream Mapping Our Process

- We engaged external vsm expertise to help us get started and to teach us the discipline
- Began hosting Kaizen events and created initial change proposals

Made Our Processes Obvious

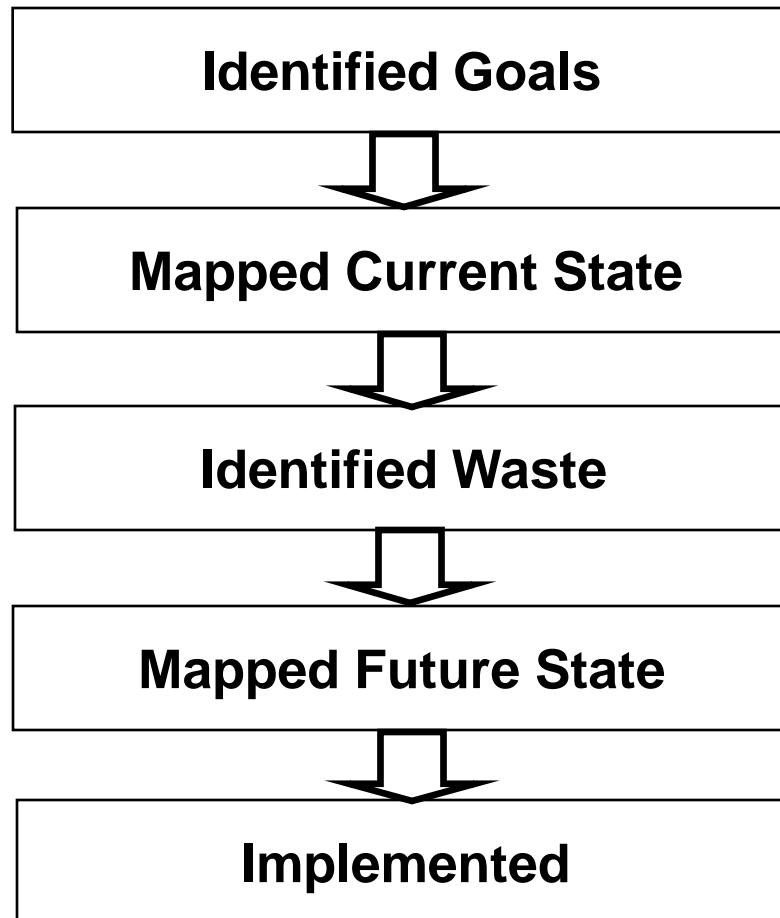
- Started to create flow and began shrinking batch sizes
- Began physically connecting processes and making operations visible
- Began to exchange post process auditing for a balance of in-process quality
- Began to explore work standardization through 5S
- Created initial baseline reporting for similar functions

Built Our Operational Excellence Model

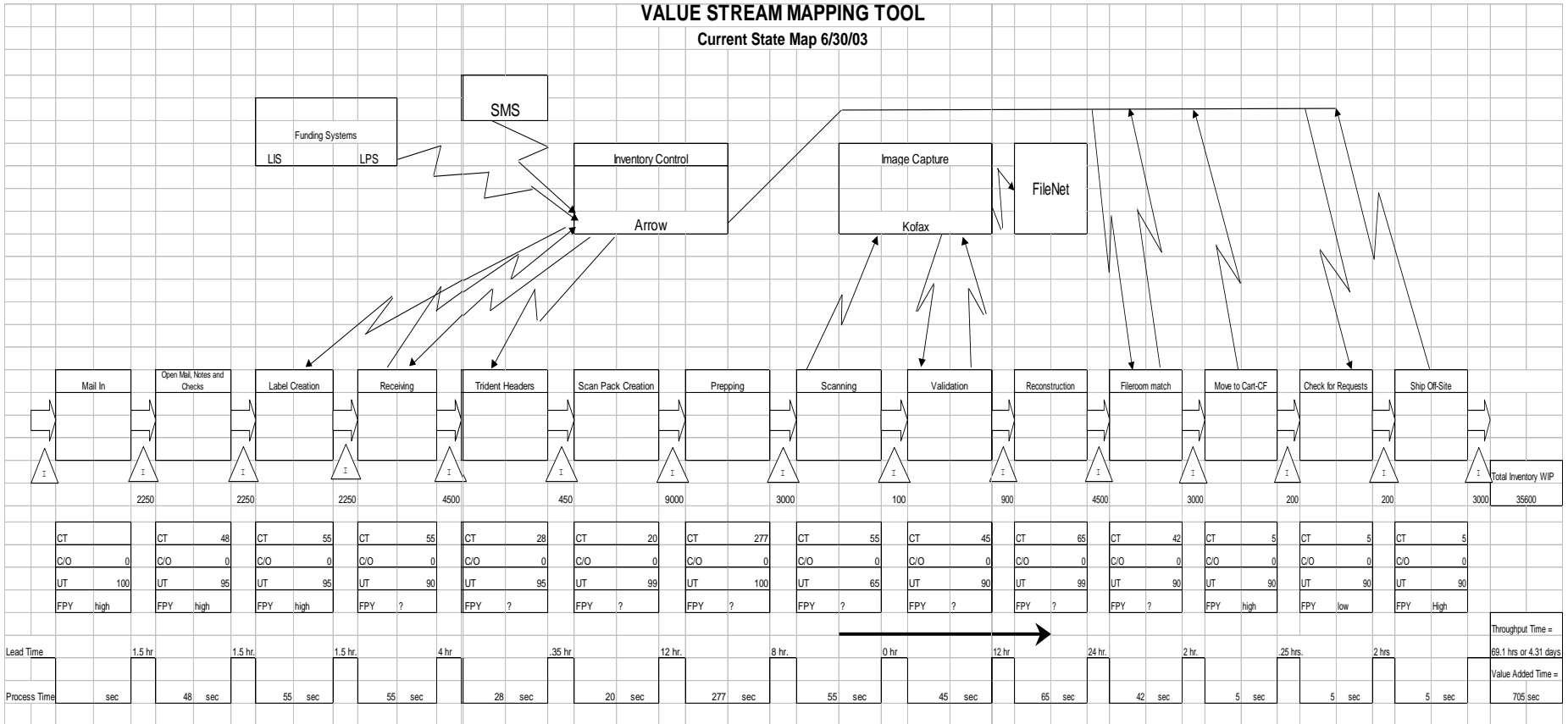
- Created our Operational Excellence visual model for reference, training, and communication
- We started experimenting with different training exercises to discourage batching and show the benefits of standardization
- We began creating production teams and breaking down the independent contributor system

Continuous Improvement Process

We followed the typical high-level Continuous Improvement Process



Present State Value Stream Map

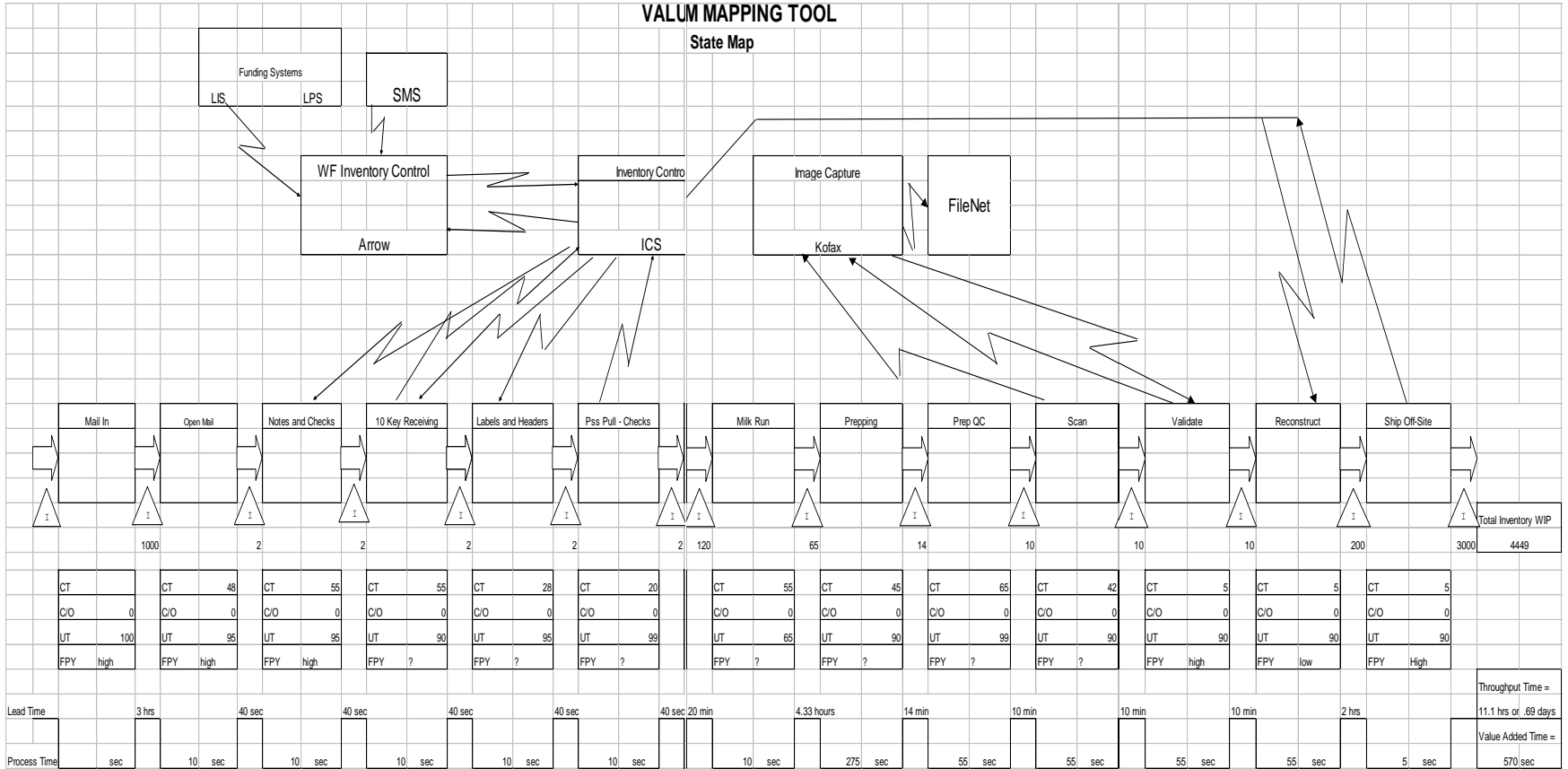


Legend
 CT = Cycle Time
 C/O = change over time
 UT = uptime
 FPY = first pass yield

Future State Value Stream Map

VALUM MAPPING TOOL

State Map

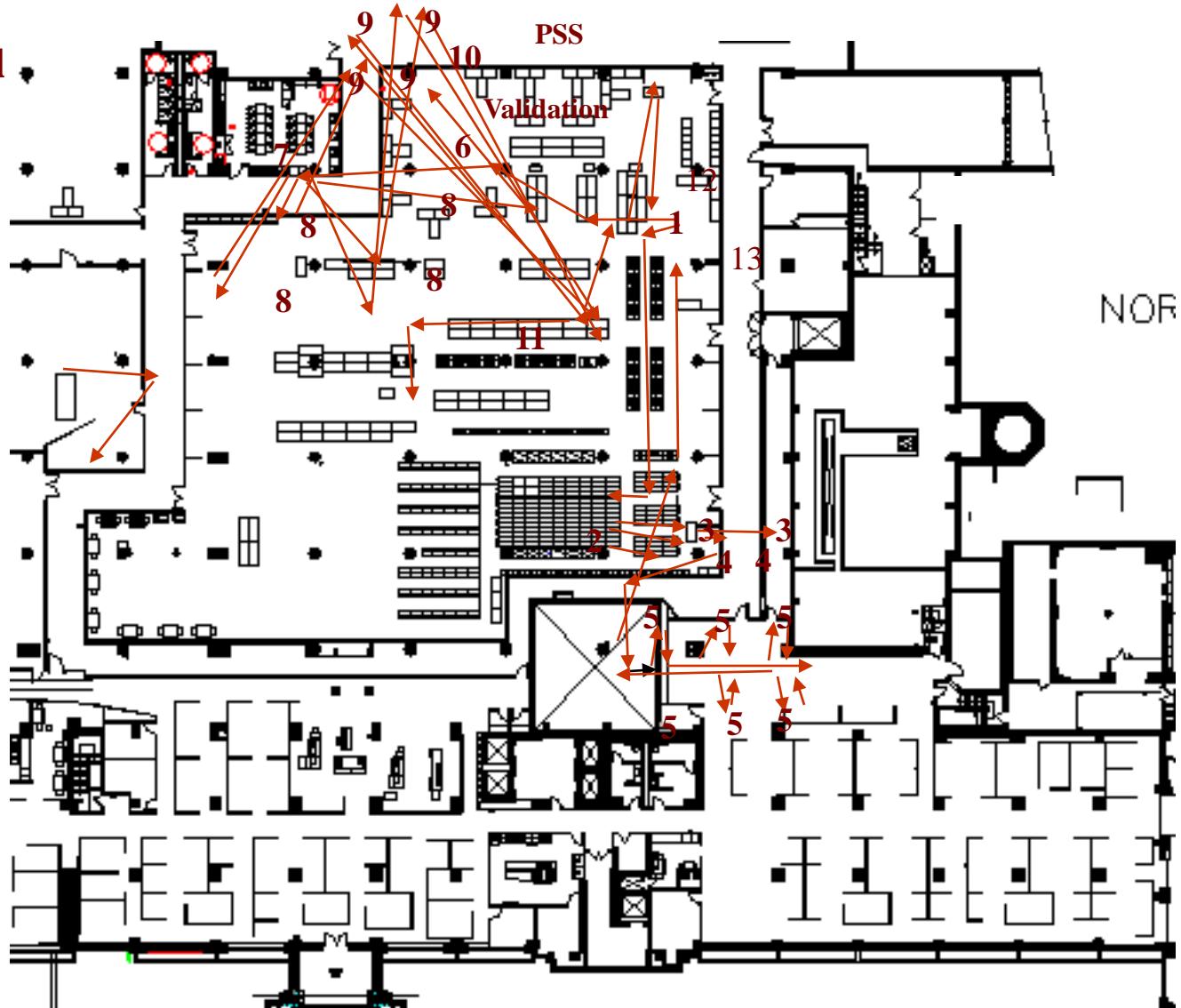


Legend

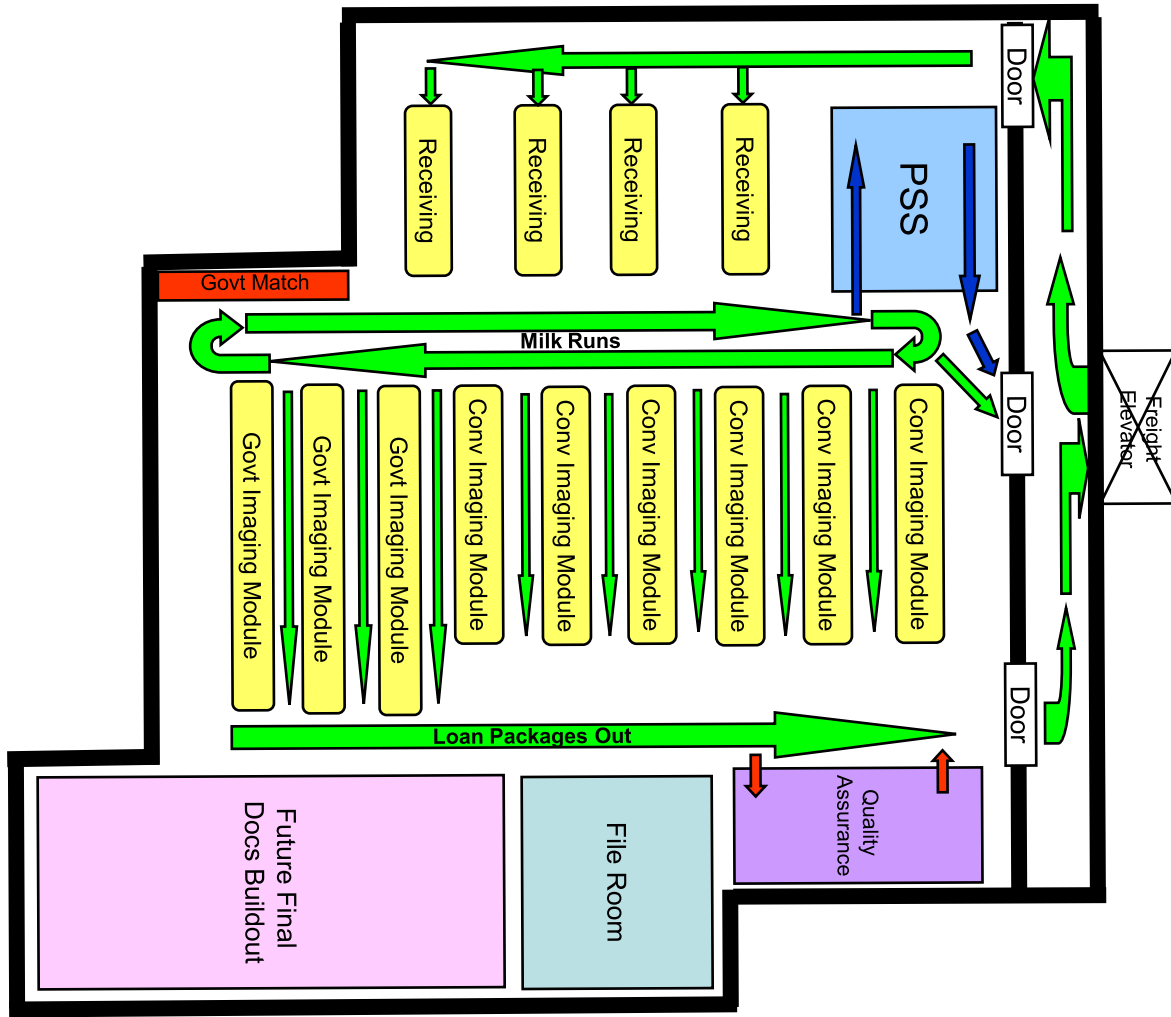
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Operational Flow – Before

1200 ft. File Travel
8 Back Flows
9 Intersections

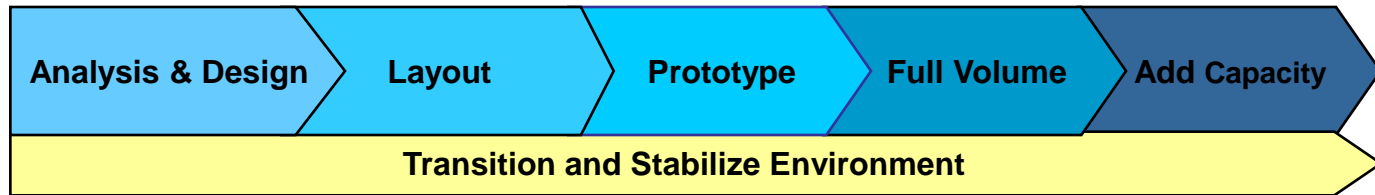


Operational Flow – After



- Design Objectives:**
1. Critical path is consolidated into main production space.
 2. Elimination of backflows and intersections.
 3. Circular flow from monument (freight elevator).
 4. 75% reduction in travel.

Transformational Timeline



Timing:

8 week

6 weeks

8 weeks

4 weeks

12 weeks

Key Themes:

- Physical Layout
- Cost Projections
- Current flow analysis

- Purchase equipment
- Setup physical Space
- Recruit team
- Train operators

- Test receiving and imaging line
- Document results
- Go/NoGo Decision

- Convert all MPLS volume to new flow design

- Build out space on lines to handle the co-location volume and timeline.

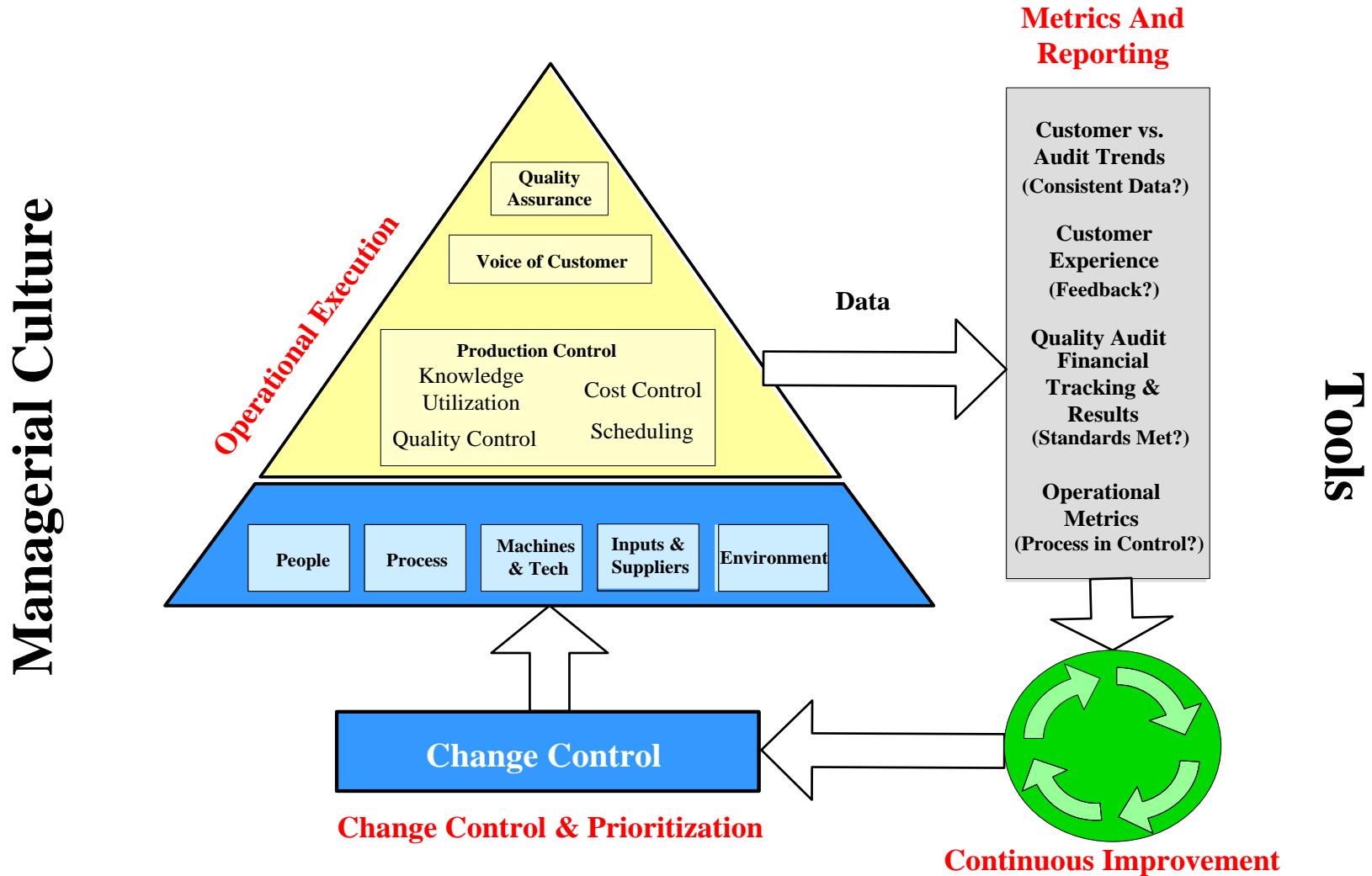
What Did We Learn?

- People need to envision their efforts fitting into an overall vision or operational model
- Staff have kaizen knowledge and are very willing to contribute
- In order to be successful, all team members must contribute as a learning organization therefore a learning strategy is required
- Batching work is a natural tendency for people and requires a conscious choice to overcome
- Leadership at all levels needs to spend dedicated time on the floor to understand and respond to the needs of the system
- If you cannot differentiate abnormal from normal operating conditions, you don't have standardized work and cannot kaizen
- Check / Adjust is just as important as Plan / Do

How Did We Adjust?

- We developed a training strategy for all team member levels, clearly showing expected skills and development timelines
- We did training at all levels showing the pitfalls of batching and benefits of flow
- We required managers to spend dedicated time on the production floor every day
- We realized our weakness in standardized work, trained leadership to recognize, trained staff on the value and took it to the next level
- We clarified the relationship of team members and their accountabilities concerning Kaizen, variation, overburden, change approval, etc...
- We evolved the Operational Excellence model and stated the cultural norms

Doc Mgmt Operational Excellence System



Philosophical Underpinnings

- Focus on business partner / customer value
- People are the most critical element
- A commitment to continuous improvement

Managerial Culture

- Generosity of spirit and sustained sense of trust
- Accountability at all levels of the organization to improve their work
- Fact based decision making
- Commitment to creation of sustained learning
- Problems are considered good things because they help direct us to our improvement opportunities
- All support functions, technology development and projects focus on direct operational value stream improvement

Tools

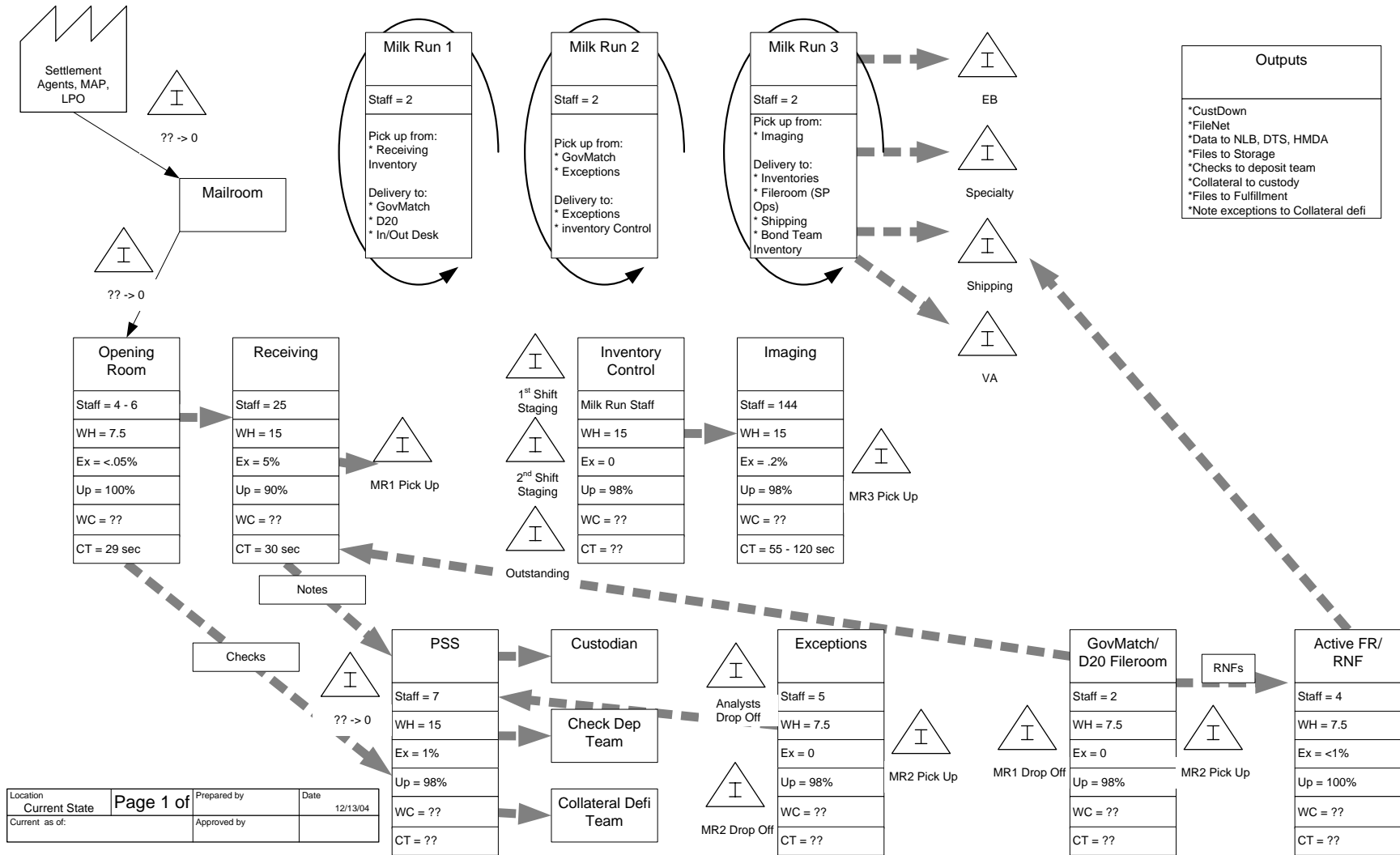
Standard Operational & Lean Tools

- A3 Format
- Value Stream Mapping
- Small lot processing
- Just in time
- Quality in process (jidoka)
- 5S
- Production Boards
- Andons
- Standardized Work Charts
- Flow
- Pull
- Gemba walks
- Action Boards
- Kanban
- Pareto Charts
- Mistake Proof (poka yoke)
- PDCA discipline
- Many others.....

Product Development Tools

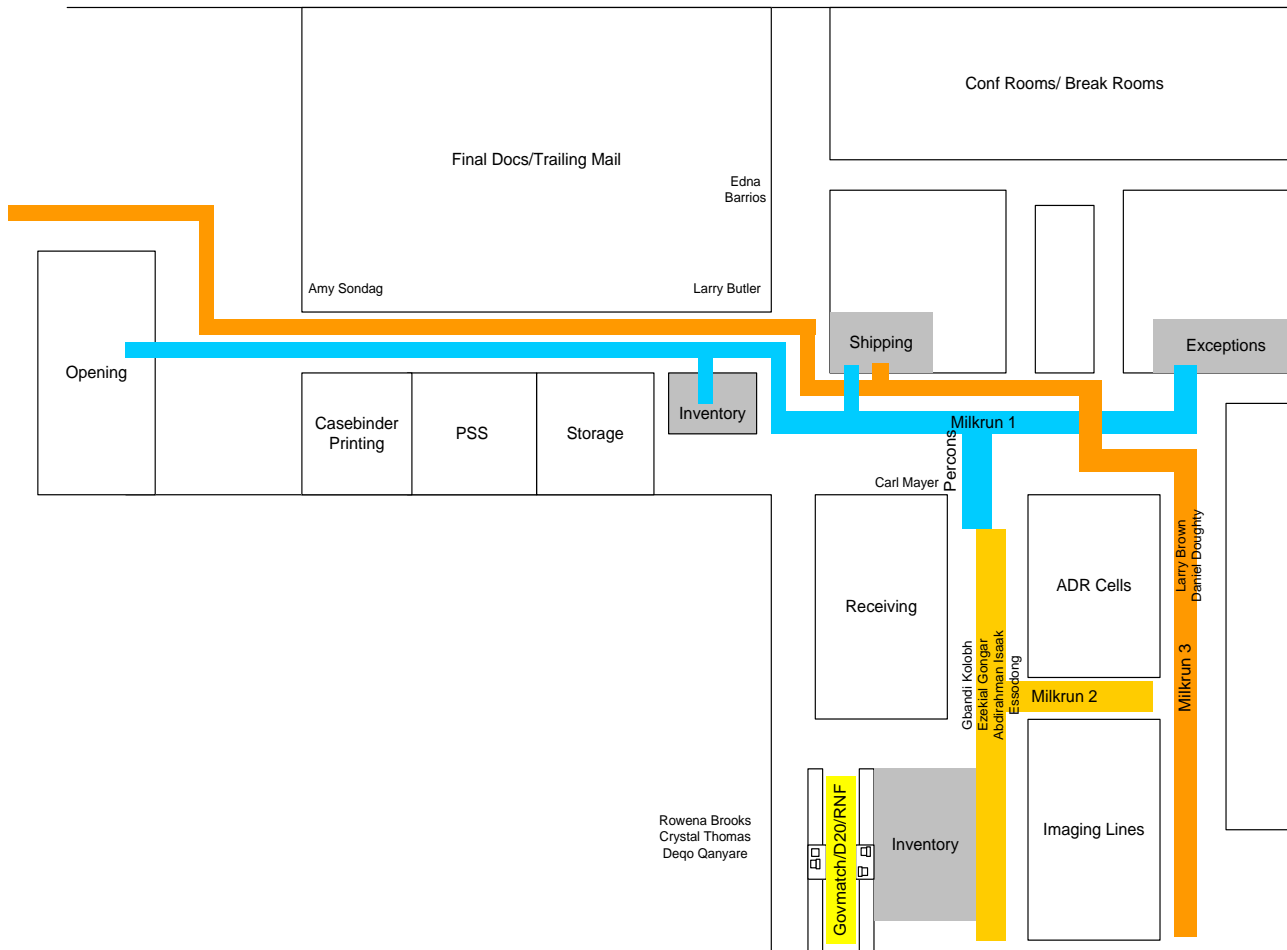
- Agile Processes
- Burn Down Charts
- Agile activity tracking software

New Present State Value Stream Map



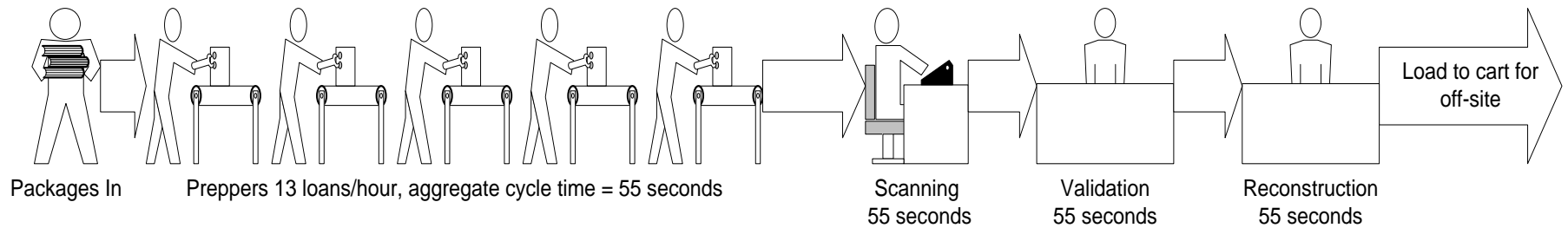
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New Operational Flow



First Generation Flow

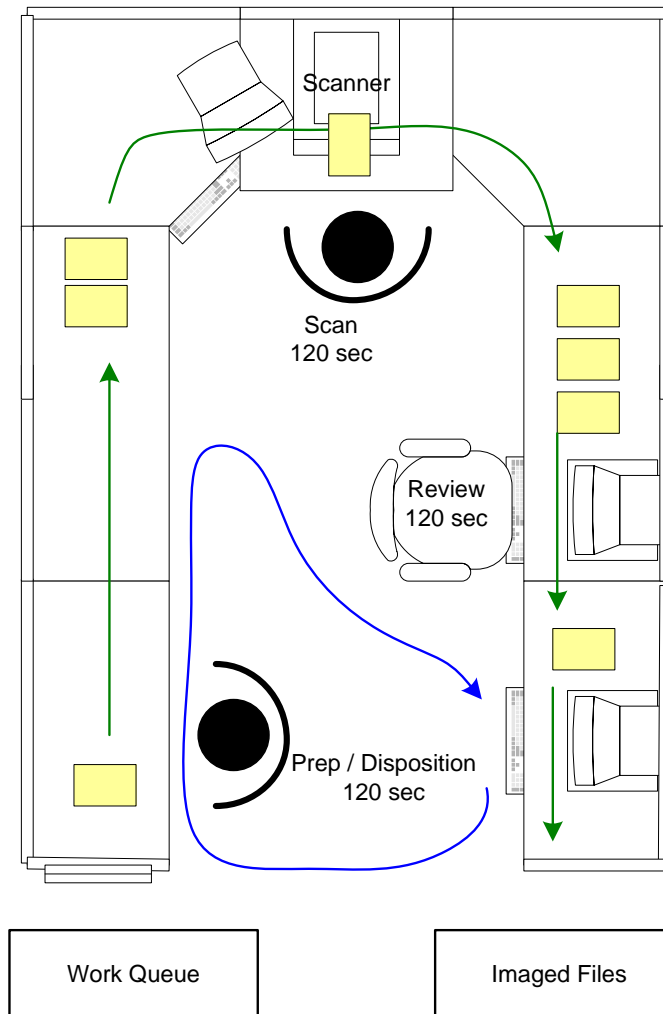
Lean Imaging Flow (Scanning, QC and Reconstruct)



Cycle time = 55 seconds
Throughput Time = 14.8 minutes
Direct Labor = 7.4 minutes
Module Capacity = 9750 loans / month
One Shift Capacity = 126,750 loans / month

Second Generation Flow

Imaging Flow (Scanning, QC and Reconstruct)



Results

	Year 1	Year 2	Year 3	Year 4	Overall Improvement
Operations Cost per Image (decrease)	13%	24%	25%	25%	63%
Images per FTE (increase)	(21%)	27%	30%	40%	143%
Image Availability Lead time (decrease)	45%	17%	20%	25%	73%
Space Consumption (decrease)	33%	26%	0%	0%	50%
First Pass Yield	64.0%	78%	99.5%	99.8%	99.8%
Business Partner Service Level Compliance	50%	75%	99%	99%	99%

What Is Our Focus Going Forward?

- Creating Level Pull
- Improving the connection between leadership objectives and production staff (A3 and Catch ball)
- Improving synergies between operations and project management / software development initiatives
- Further ingrain the cultural norm that leaders are teachers and give everyone the skills to grow knowledge
- Infect others

What Might We Do Differently?

- Spend more time communicating the cultural vision and the mechanisms of our Operational Excellence model
- Lead with the A3 Hoshin Kanri process
- Involve staff earlier in the process (training, work flow design, production boards)
- Train, educate, and emphasize standardized work

What Strategies Would We Repeat?

- Start with focus on value definition
- Begin value stream mapping
- Focus on making work visible and connected
- Continue to favor action over analysis

Wells Fargo Breakout Session

Discussion of these and other issues related to our transformational journey with the opportunity to ask detailed questions.

Presented by Dave Peterson and Chad Vogel

Thank You!