

Application of Lean/Six Sigma Methods to Mortgage Related Legal Services

27 March, 2007
Tampa, FL

- **Why are real estate processes important?**
- **What is Lean/Six Sigma?**
- **How can Lean/Six Sigma improve mortgage related legal services?**
- **Case Study – Applying Lean/Six Sigma to Real Estate Related Legal Documentation**

Excerpted from a 2003 study prepared by the CFO Publishing Corporation

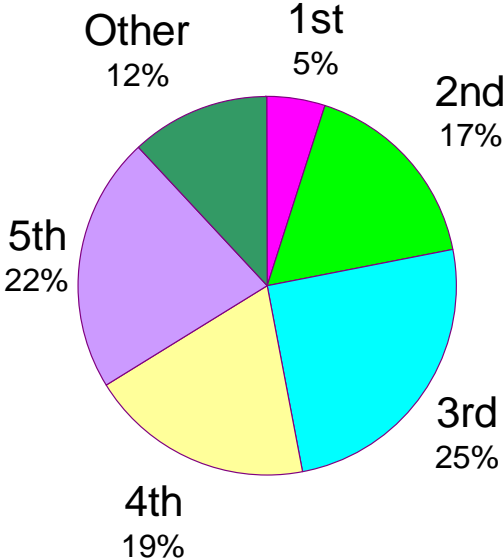
A written survey of senior financial managers, yielding 264 responses.

- 34% were CFOs or SVPs of finance
- 18% were VPs of finance,
- 17% were controllers
- The rest have other titles such as Director of Finance or Treasurer.

61% of respondents work for companies with annual revenues over \$1 billion.

Telephone interviews were conducted with 13 respondents to provide context.

How do real estate and facilities rank as a cost of doing business?

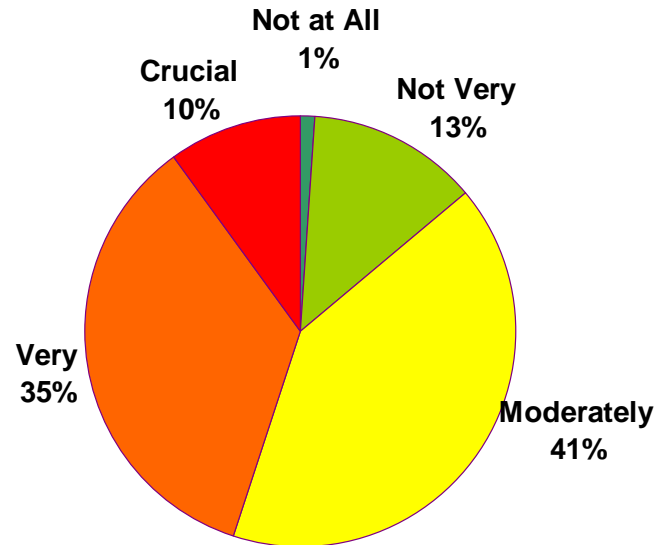


2003 CFO Publishing Corp.

Almost 50% of those surveyed thought that real estate and facilities represented a significant (top 3) cost of doing business

global e strategies

How important do you believe CRE is to your ability to achieve your company's strategic objectives?



2003 CFO Publishing Corp.

86% of those surveyed thought that CRE was of strategic importance - but our experience has been that very few companies approach CRE with the same diligence as their other core business processes

Scaling UK Commercial Real Estate Study to US Economy

- If we scale the UK findings by relative GDP's
 - UK GDP = \$1.00 trillion
 - US GDP = \$11.26 trillion
- Then we find that
 - US private sector commercial property is worth approximately \$4.43 trillion , and
 - Property and construction related services contribute \$1.35 trillion to the US GDP
- Scaling UK waste figures, then US businesses waste **\$199 billion per year** on poorly managed real estate

These numbers make it all the more incredulous that the majority of businesses do not focus their waste reduction efforts on their CRE processes - even those who employ Lean/Six Sigma in other business areas!

Can the CRE Processes Be Improved?



Lean/Six Sigma can be used to improve the quality, cost, and cycle time of CRE processes if these requirements are met within an organization

- **Perception about Lean/Six Sigma**
 - Lean/Six Sigma only applies in traditional manufacturing
- **Reality about Lean/Six Sigma**
 - Since 1995, transactional processes account for >70% of all applications
 - Over the past 2-3 years, Lean/Six Sigma has been adapted by the banking, insurance and healthcare industries on a large scale

The methods and tools have been proven to be applicable to service and business processes

- **Perception about Lean/Six Sigma**
 - Lean/Six Sigma is too complicated and requires a degree in Statistics
- **Reality about Lean/Six Sigma**
 - Lean/Six Sigma emphasizes practical use of statistical tools to assess differences and verify results and is made available to all with inexpensive software
 - Most of the gains of Lean/Six Sigma are achieved with the relatively simple knowledge sharing and control tools

IT solutions make Six Sigma methods and tools easy for everyone to use - data collection, data analysis, and mistake proofing/control


- **Perception about Lean/Six Sigma**
 - Lean/Six Sigma projects add to organization overload
- **Reality about Lean/Six Sigma**
 - Initial work can add to overload
 - But with appropriate project selection this is not more than a 6-9 month burden
 - Simplifying processes through Lean/Six Sigma projects frees up many more resources than are used for the projects

Typical payback for Lean/Six Sigma improvements are 10:1


What does Lean/Six Sigma mean?

- **Six Sigma** is a disciplined, **data-driven approach to process improvement**, aimed at the near-elimination of defects from processes and services.
- Purpose of Six Sigma is to gain breakthrough knowledge on how to improve processes in order to do things **better, faster** and at **lower cost** by reducing the defects that cause **variation**.
- Six Sigma can be used to improve every facet of the business, from marketing and sales, order entry, provisioning, delivery, and real estate management.
- Six Sigma is designed to **provide tangible business results** and cost savings that **directly contribute to the bottom line**.
- **Lean** is a philosophy that anywhere work is being done there is **waste** (Dollars, time, and resources) and that it is the function of **everyone** in the organization is **continual waste reduction**


If 99.9% Were Good Enough...



At 99.9%, doctors in New York state hospitals drop 288 babies per year



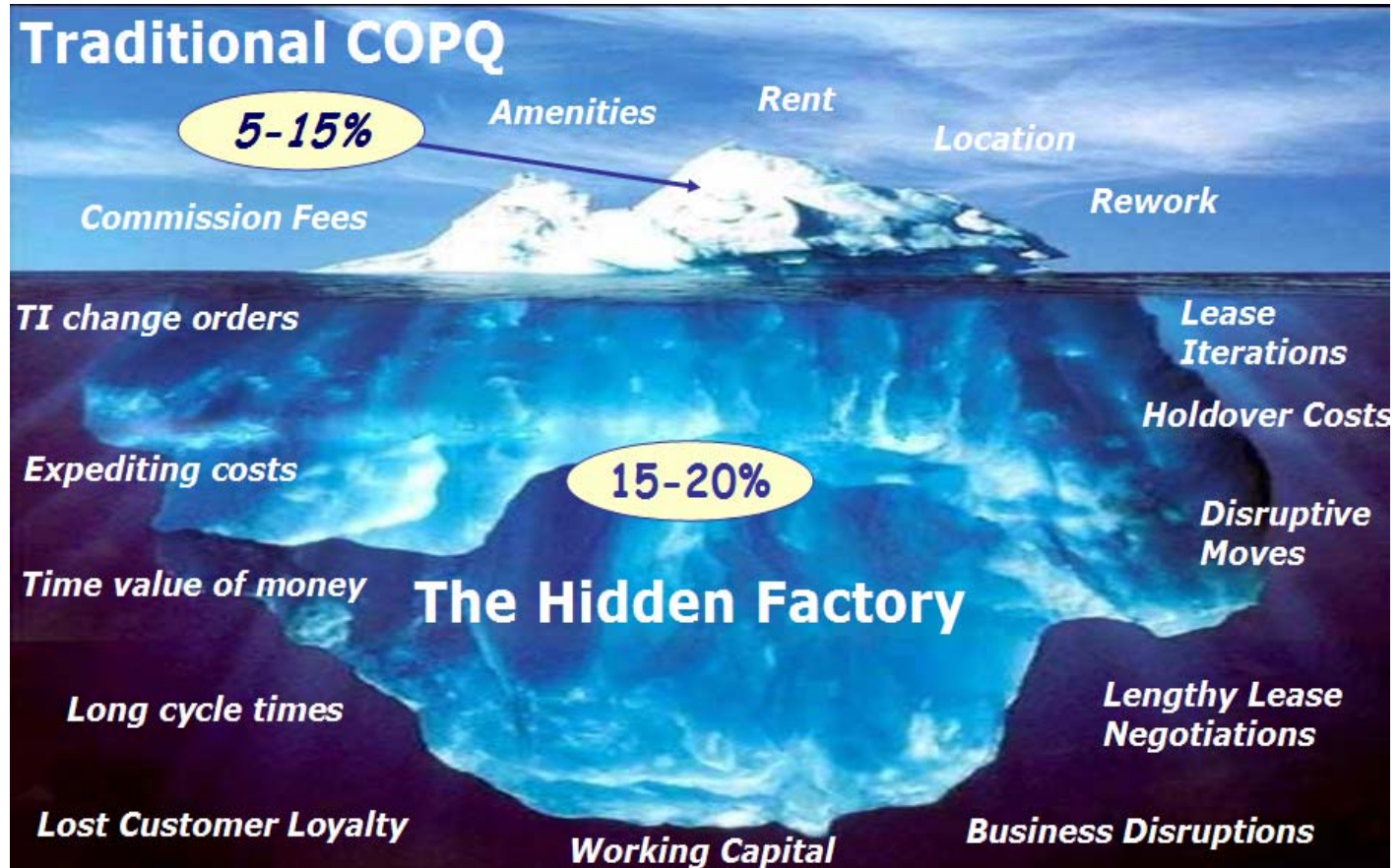
At 99.9%, post offices in New York state lose 81,828 pieces of mail per day



At 99.9%, Chicago O'Hare Airport has 1,284 unsafe arrivals / departures per year

**The Six Sigma goal is 99.99966%
(less than 4 errors per million opportunities)**

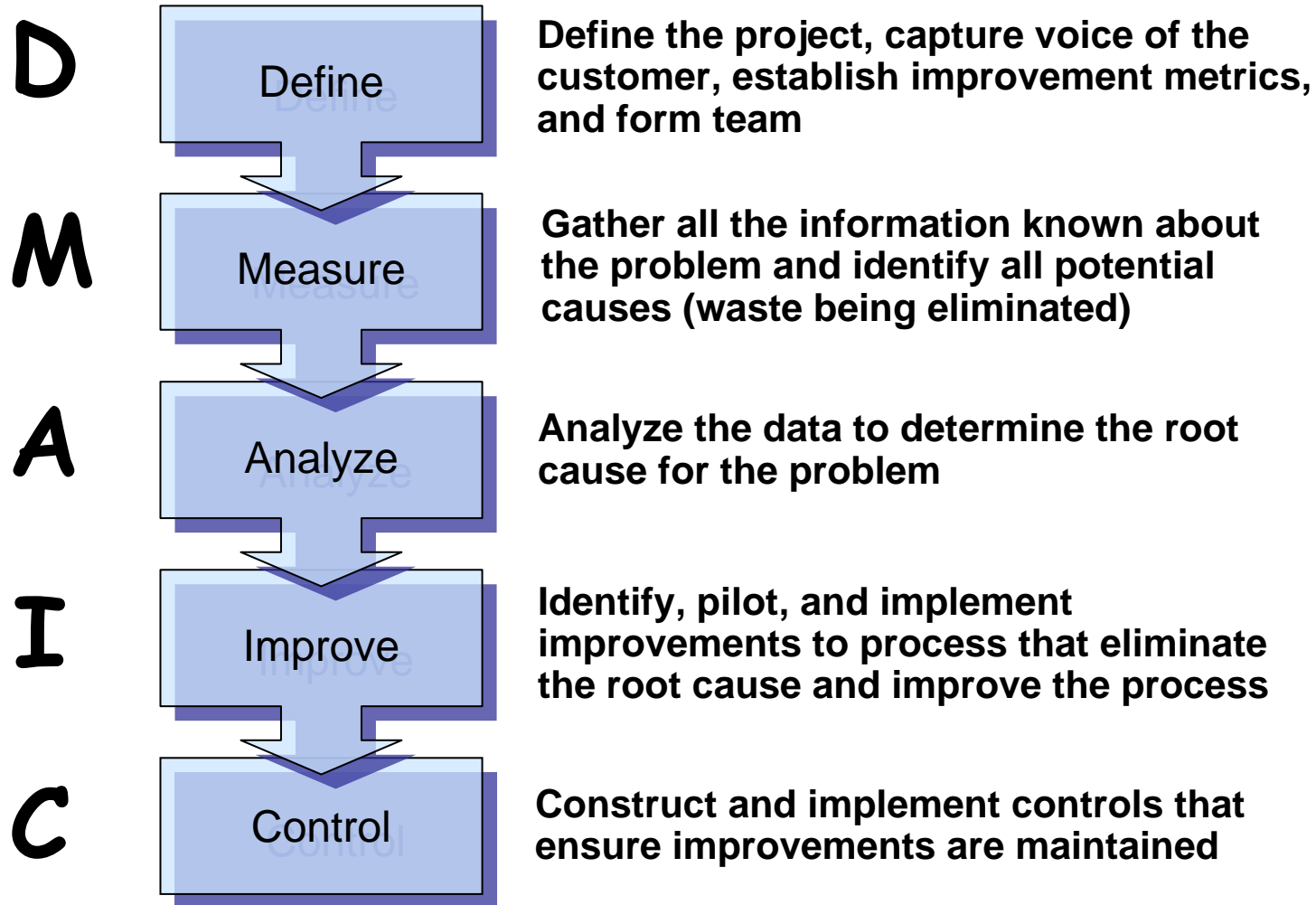
Where Do You Find Defects?

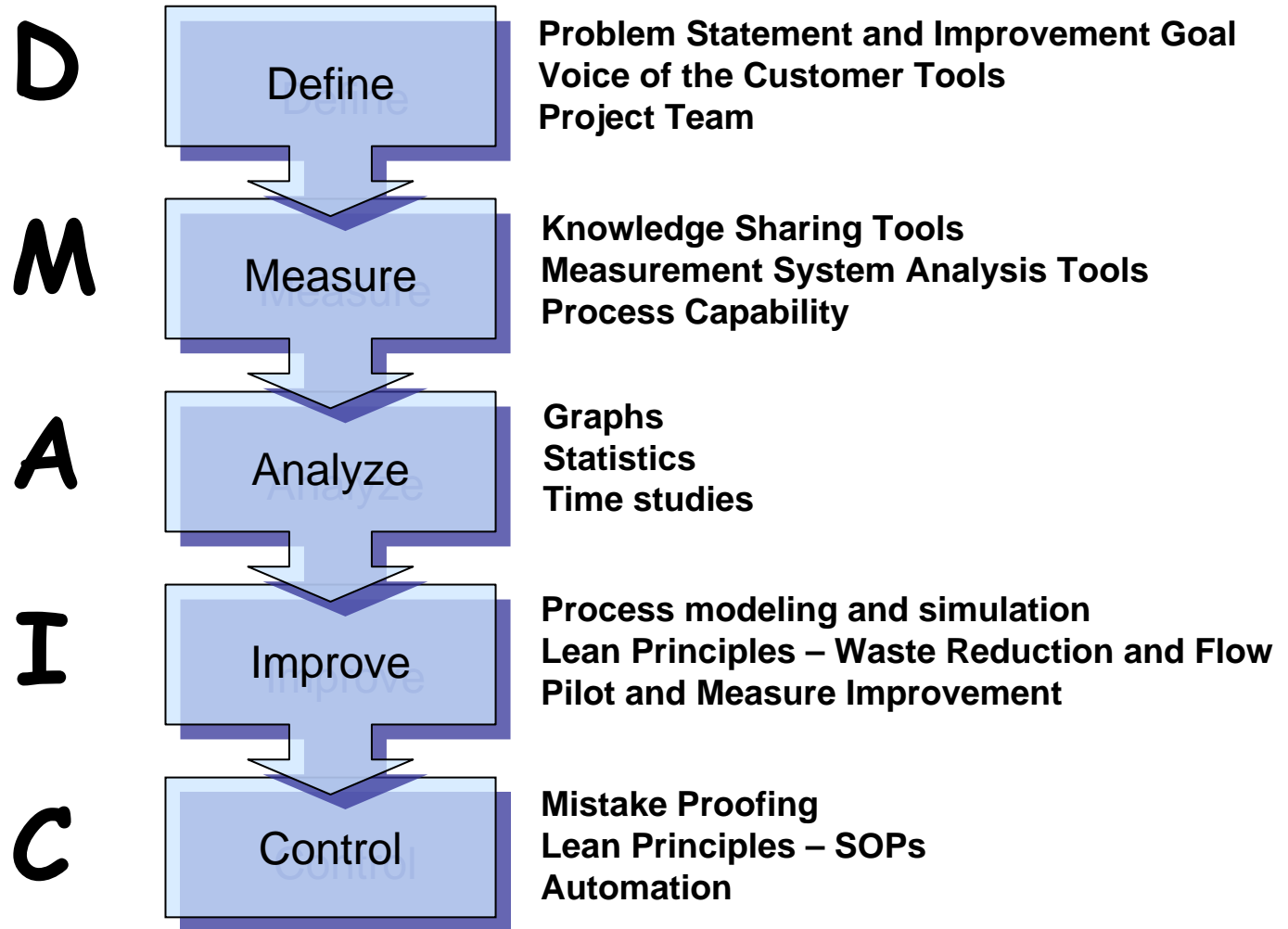


The cost of poor quality (waste) can represent 20-30% of your total costs

- There are 7 elements of Waste:
 - Waste of Defect (Error Correction)
 - Waste of Overproduction
 - Waste of Processing
 - Waste of Transportation
 - Waste of Inventory
 - Waste of Motion
 - Waste of Waiting
- The first step toward waste elimination is waste identification
- Lean/Six Sigma focuses on minimizing waste resulting from one or more of these elements
- Elements of these wastes are found in every business process – including real estate management

What is the Lean/ Six Sigma Method?





IT solutions are useful at each stage of the Lean/Six Sigma process

- The goal of Lean/Six Sigma is the achievement of world class performance by
 - Producing knowledge for improved quality, cycle time, and lower cost
 - Driving data-based decisions
 - Promoting teamwork and success
 - Combining very aggressive goals with a proven methodology and a set of tools
- Lean/Six Sigma provides a proven method for improving your real estate management processes

The goal is very fast, bullet proof processes that deliver repeatable, predictable outcomes