

Ohio Department of Development and JobsOhio

Ohio | Department of
Development

JobsOhio

Kaizen Event Report Out

Business Incentive Process

June 12-21 , 2012

Report Out: July 27th

Members of Team Show Me the Money

Tracy Allen, JO, Project Finance Manager

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Senior Leadership:

Christiane Schmenk, Director, ODOD and Mark Kvamme, President and CIO, JobsOhio

Sponsors:

Beth Trombold, Assistant Director, ODOD and John Minor, JobsOhio Managing Director, Financial Services, Agribusiness & Food Processing

Team Leaders:

David Zak, Chief, Business Services Division, ODOD and Kristi Tanner, JobsOhio Managing Director, Manufacturing



Stakeholders

- The Business Community
- Governor Kasich
- Legislators
- Ohio Citizens
- ODOD and JobsOhio staff



Background

The Ohio Department of Development is working with JobsOhio for statewide economic development activities. JobsOhio develops business relationships with employers interested in expanding their business and/or creating or retaining jobs in Ohio. JobsOhio negotiates an incentive package that meets the business's needs. The negotiated deal is recommended by DFAC and is then approved by ODOD and the Controlling Board. Once approved, ODOD releases the funds per the agreement. After the deal is complete, ODOD is responsible for servicing the loan (if applicable) and monitoring the terms and conditions of the agreement.

Scope of Event

The process begins when a potential loan recipient contacts ODOD or JobsOhio. The process ends when funds are disbursed to the business by ODOD.

Theme

The current process is poorly defined, is time intensive, and involves a significant amount of rework. This process needs to move “at the speed of business”.

Project Goals

Goal	Reduction	Time frame
Reduce the number of process steps	At least 50%	September 1, 2012
Timely processing of incentive applications and funds disbursement	Processed within 75 days	December 1, 2012
Eliminate duplicative work and errors	100% reduction	December 1, 2012

To Break for the Better

- ▣ Customer focused
- ▣ Work level team
- ▣ Tight focus on time (one week)
- ▣ Quick and simple, action first
- ▣ Necessary resources available right away
- ▣ Immediate results (new process functioning by end of week)



The Kaizen Approach

Team-based energy and creativity drives immediate process improvement

DAY 1	DAY 2	DAY 3	DAY 4	DAY 5
Day of Learning and Level Setting:	Day of Discovery:	Day of Improvement:	Day of Design:	Day of Fine Tuning and Communication:
Getting everyone on the same page	Making the invisible visible	Creating the New process	Implementation & action planning	Celebration & sharing results

At the end of the process, each Kaizen team has designed dramatic operational improvements and plans for 30-60-90-day follow-ups

Out of Scope

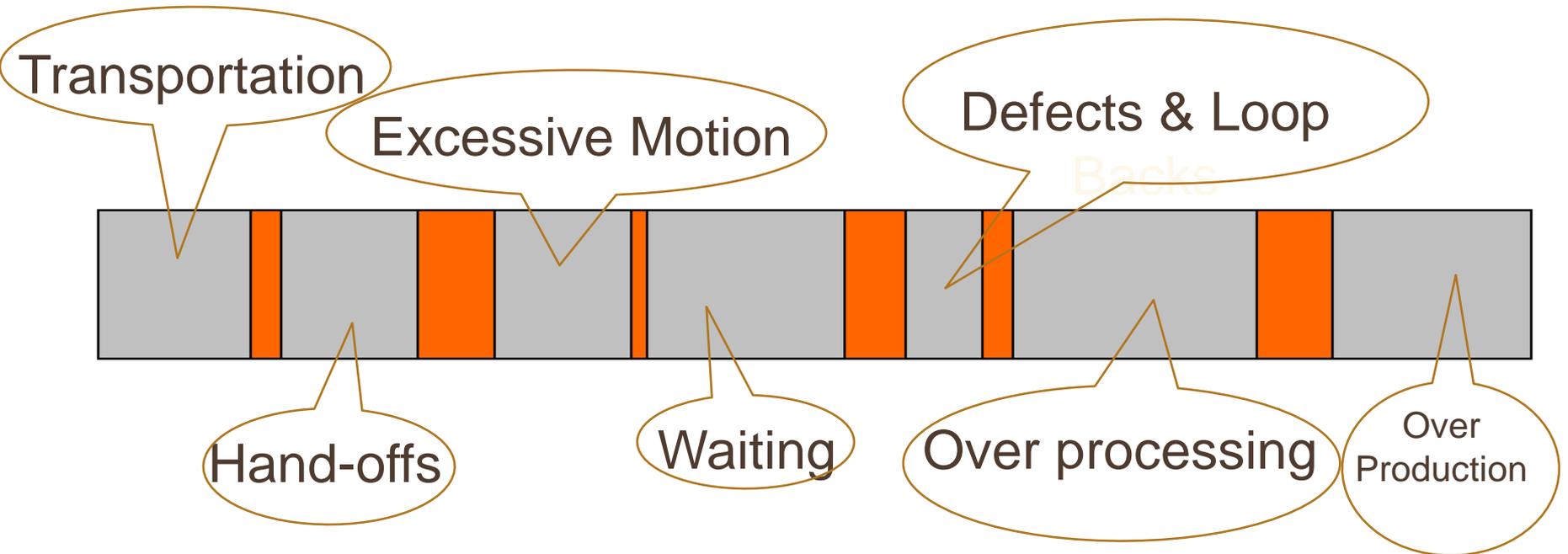
The basis for transformation is improving the process with...

- ⦿ No additional staff.
- ⦿ No additional money.
- ⦿ No IT solutions until the process is improved.
- ⦿ No changes to laws or labor contracts.
- ⦿ No one loses their job because of the Kaizen event, although duties may be modified.

Identify and remove waste

■ Waste

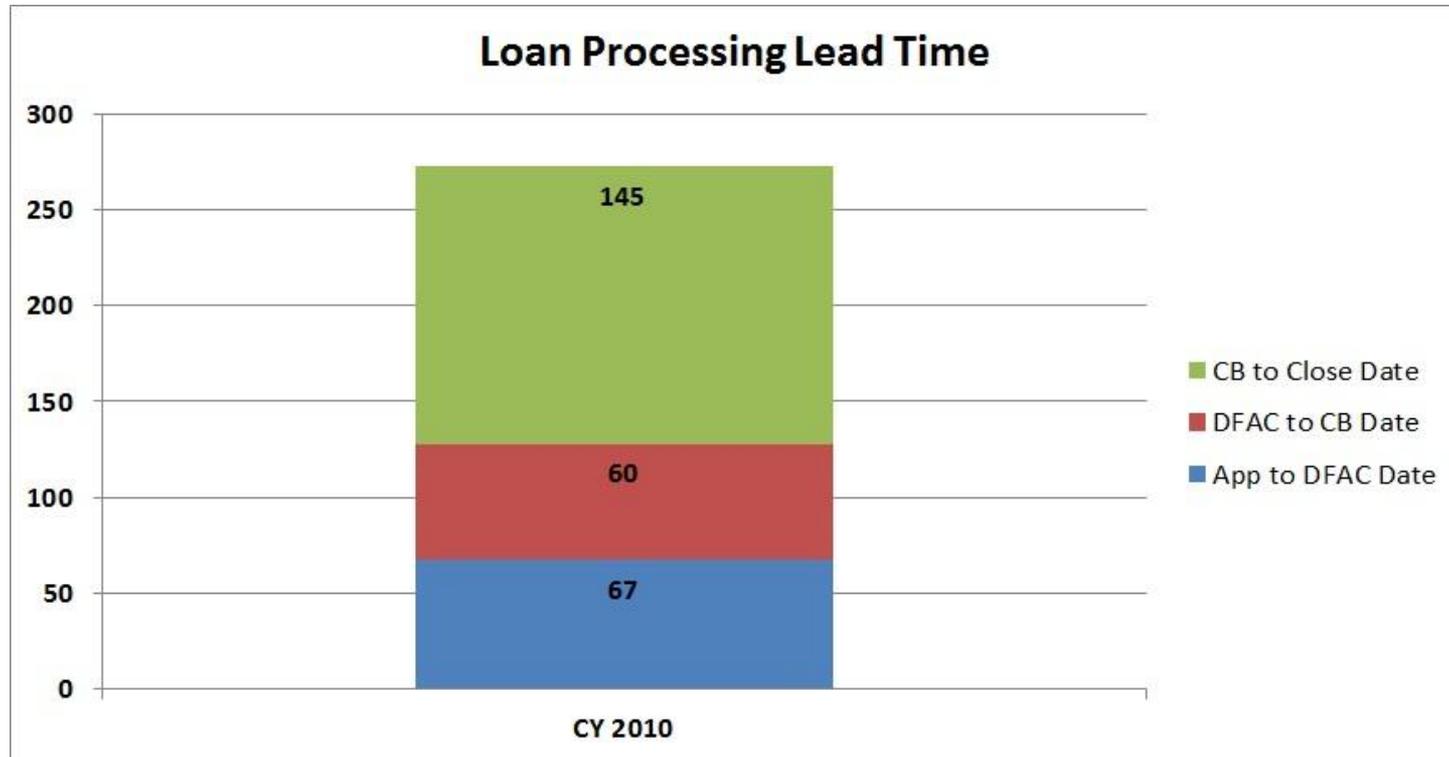
■ Value Added



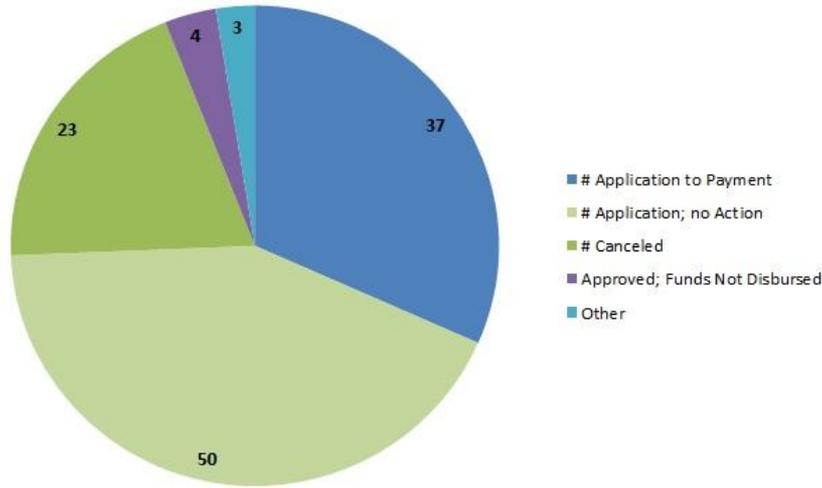
Process after WASTE removed

Event Baseline Data

Number of Days	CY 2010
App to DFAC Date	67
DFAC to CB Date	60
CB to Close Date	145



CY 2010
n=117



During CY 2010, over 60% of all applicants either took no action or cancelled their application. Only 31% completed the process and received project funding.

Status	CY 2010 n=117	Percent
# Application; no Action	50	42%
# Canceled	23	19%
# Application to Payment	37	31%
Approved; Funds Not disbursed	4	3%
Other	3	3%

Event Baseline Data

<i>n = 117</i>	# of Days based on CY 2010 Data				Total
	Average	Median	Largest	Smallest	
DFAC Date	67	59	249	7	60
CB Date	128	108	438	35	58
Close Date	273	248	587	119	38
Number of Modifications	0.41	-	3.00	-	50

On average, in CY 2010 it took 67 days for a project to get to DFAC, 128 days to get to the Controlling Board, and 273 days to close.

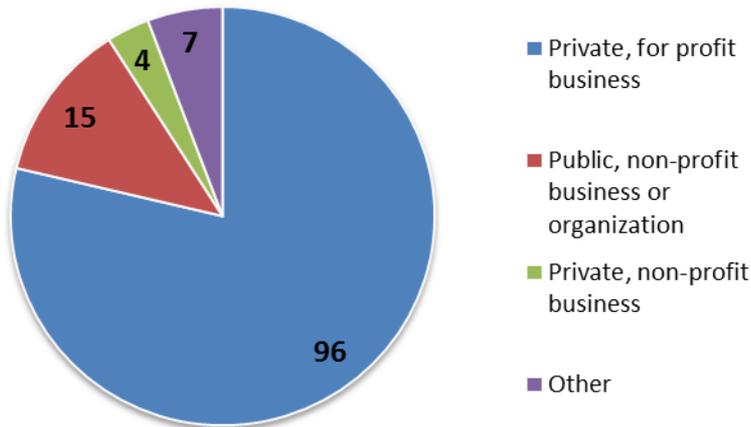
	Total	DFAC Date	CB Date	Close Date
166 Direct Loan	65	23	21	14
Innovation Ohio Loan Fund	26	18	18	14
Research & Development Investment Loan Fund	16	13	13	9
Ohio Enterprise Bond Fund - Taxable	6	5	5	1
Ohio Enterprise Bond Fund - Tax Exempt	1	-	-	-
Ohio Enterprise Bond Fund - RZB - Tax Exempt	1	1	1	-
Rural Industrial Park Loan	2	-	-	-

Of the 65 166 loan applications pending during CY2010, only 14 actually closed. Over half of the IOLF applications made it to closing.

Customer Satisfaction Survey

(122 Responses)

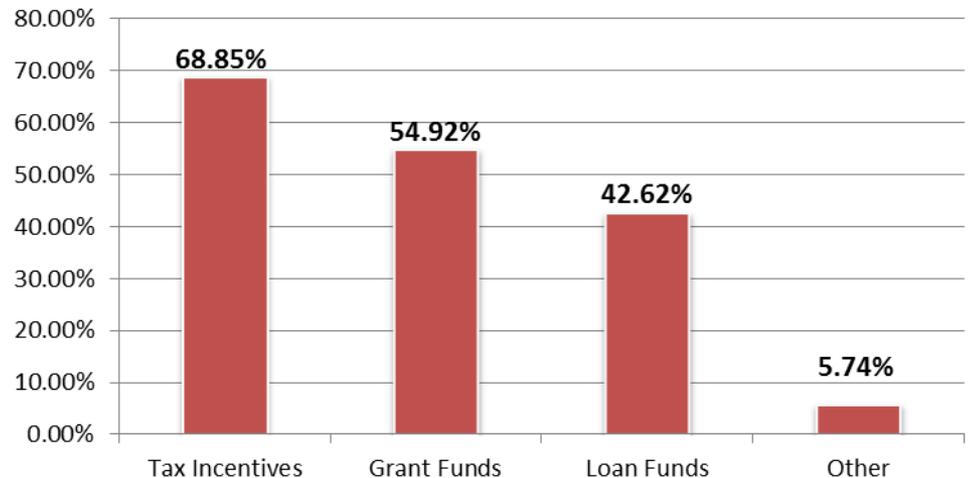
Respondent Make-up



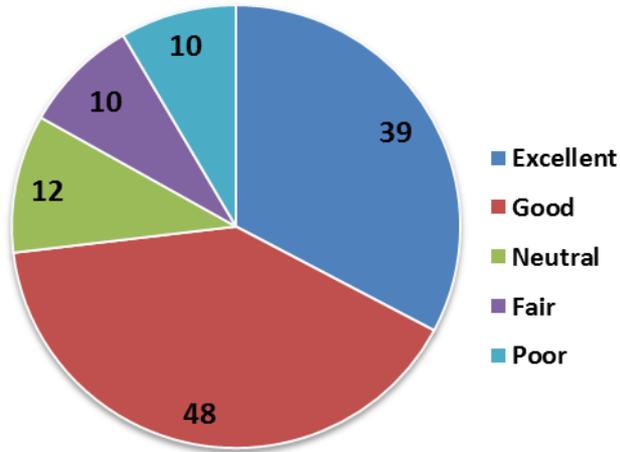
A customer satisfaction survey was distributed to nearly 500 businesses who completed an FAA in the prior 24 months. Ninety-six (96) of the 122 respondents were private, for profit businesses; 15 were public or non-profit businesses.

Nearly 70% of the applicants were seeking tax incentives, 55% were asking for grant funds, and 43% were requesting loan funds.

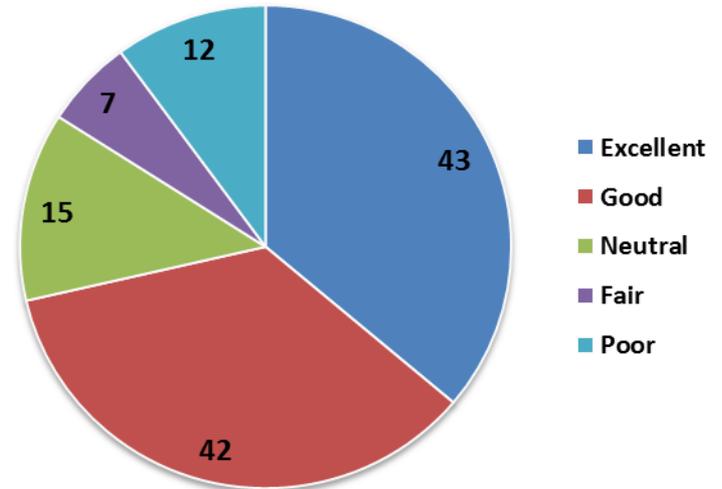
Incentives Sought



Overall Satisfaction

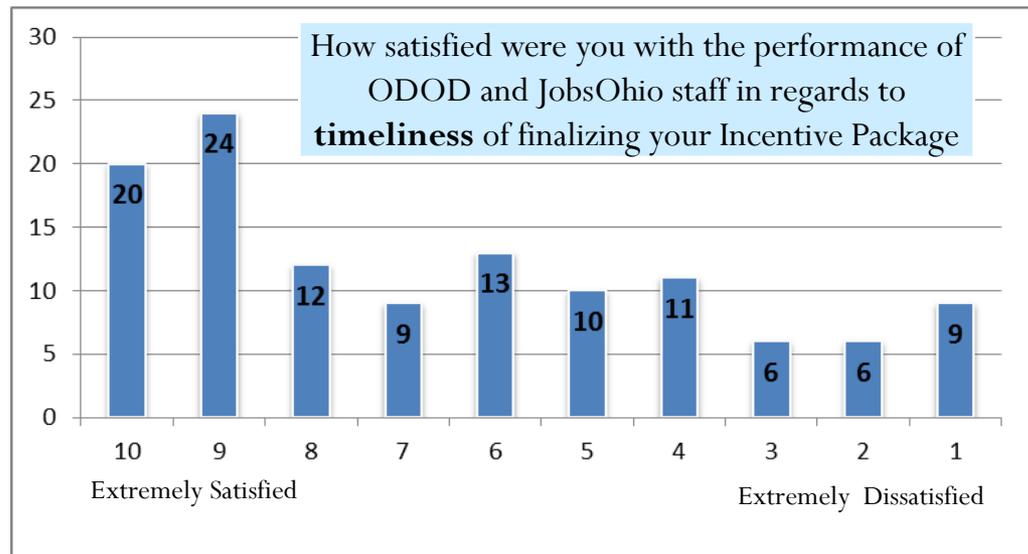


Overall Quality

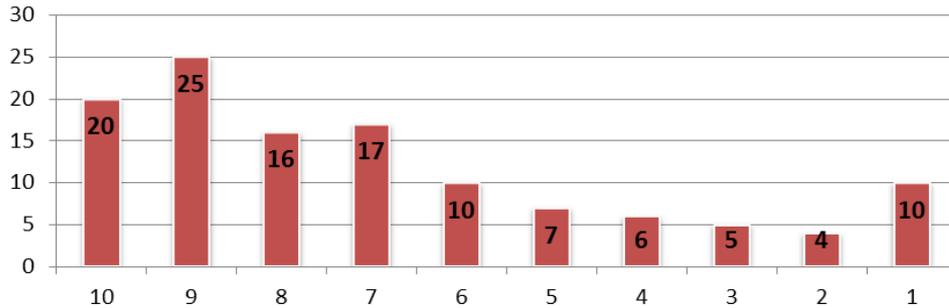


70% of the respondents rated their satisfaction with and the overall quality of the process as good or excellent.

Over half of the respondents rated the timeliness of the process as a “7” or higher.



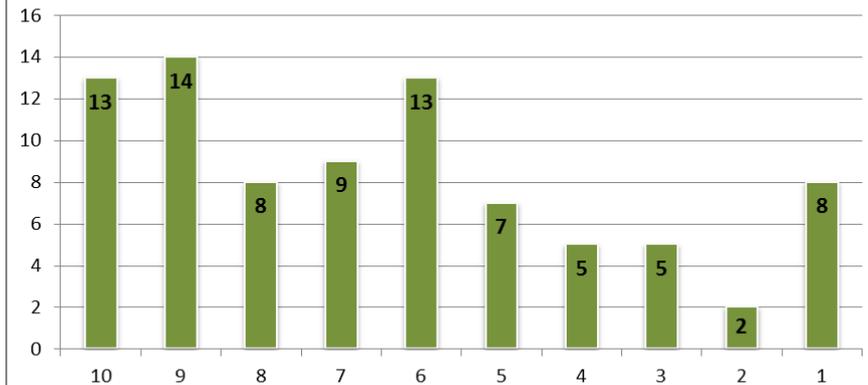
Communication



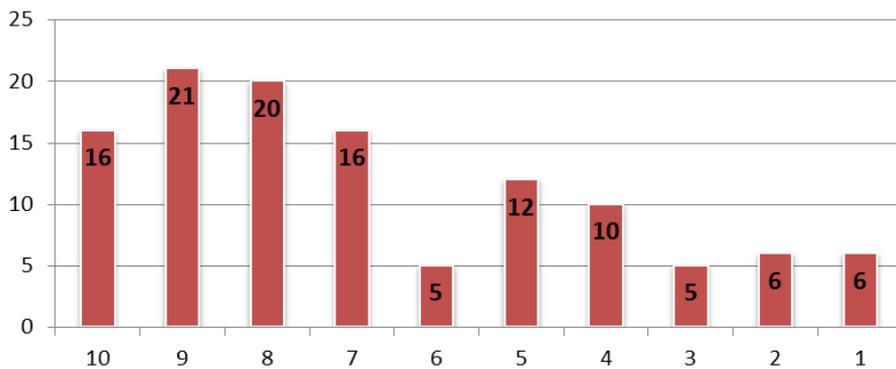
Two-thirds of the respondents rated the communication with the department at a “7” or higher.

Only one-third of the respondents rated the timeliness of disbursement of funds at a “7” or higher.

Timing of Disbursement of Funds

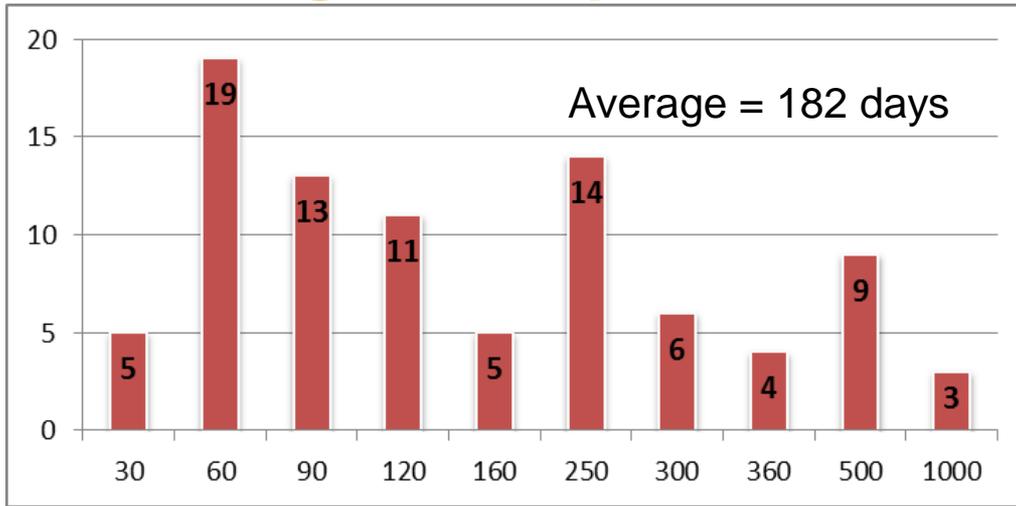


Timeframe for Completion of Review

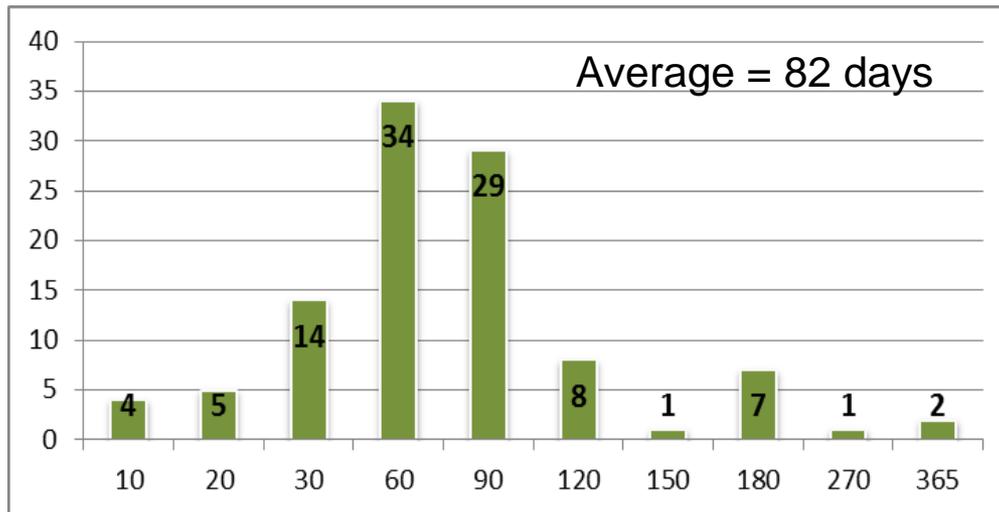


60% of the respondents rated the timeframe for completion of the review at a “7” or higher.

How long did the process take?

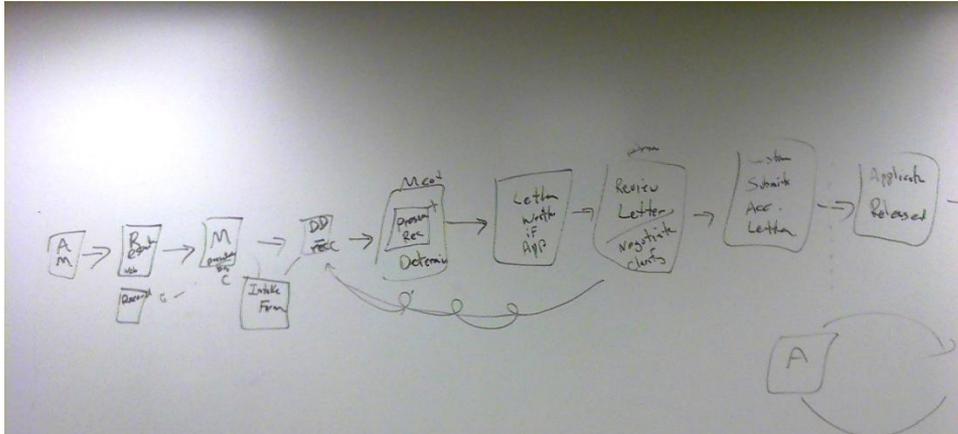


How long should it take?

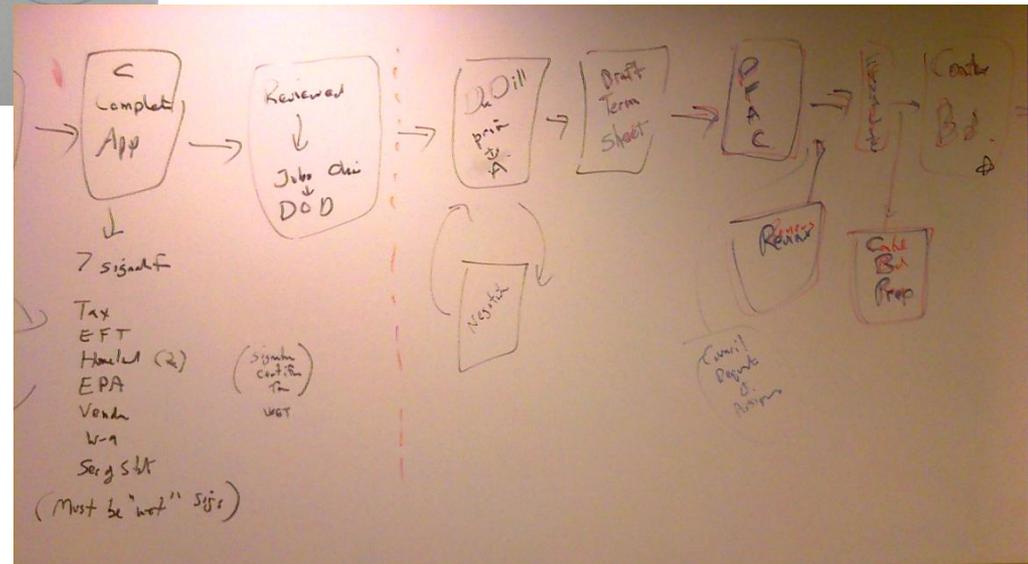


Respondents indicated that the loan process took on average 182 days to complete. They also indicated that the process should be able to be completed in 82 days.

High Level Process Map



50,000 feet



Current-State Process Map



217 Steps – 7 Decisions – 102 Handoffs – 97 Points of Waste

GOLD “Post-its” are points of waste!

The original processes had:

- Too many steps
- Too many handoffs
- Too much time to process
- Too much TIM WOOD
- A “Push” process



Intense work identifying Value and Waste



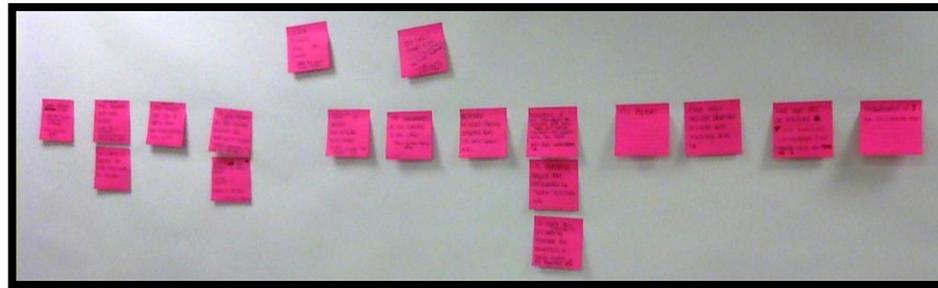
The team brainstormed 81 improvement ideas



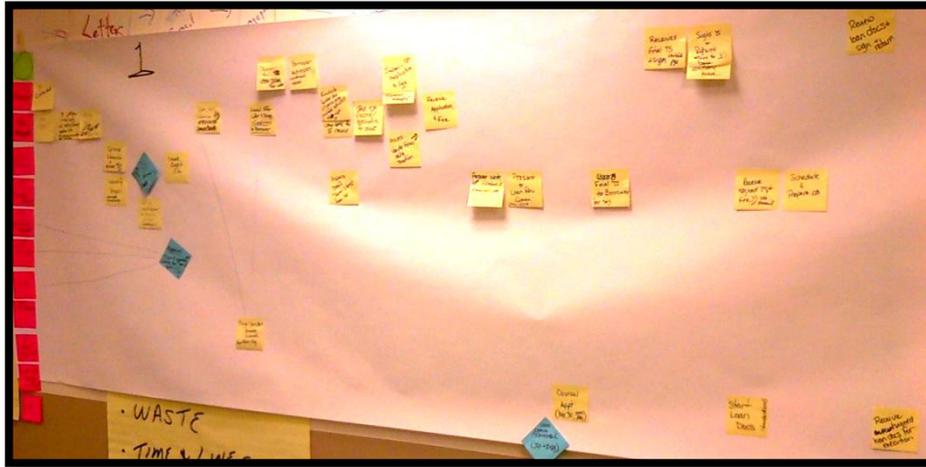
The team analyzed and categorized the ideas



Clean Sheet Redesign 50,000 feet



Clean Sheet Redesign 10,000 feet



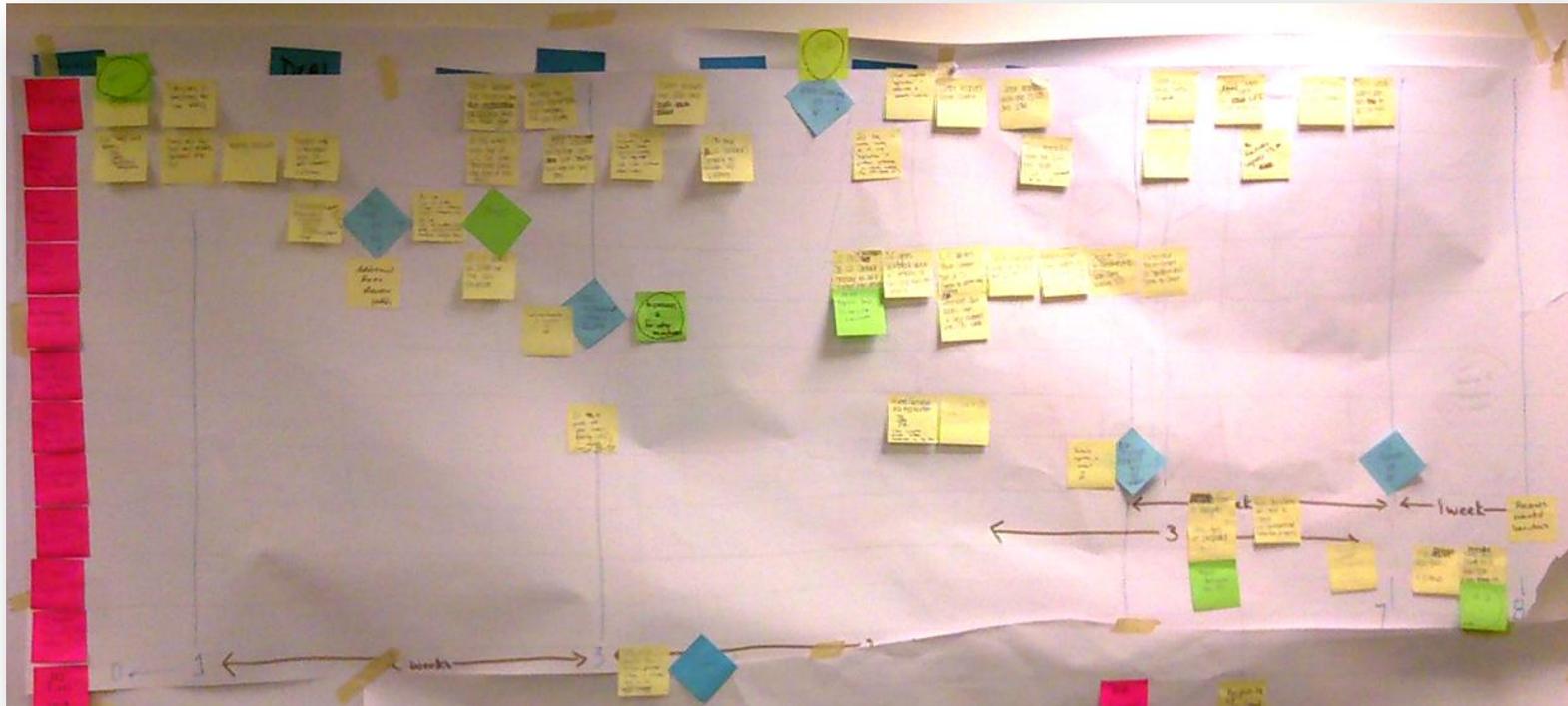
Met with Controlling Board



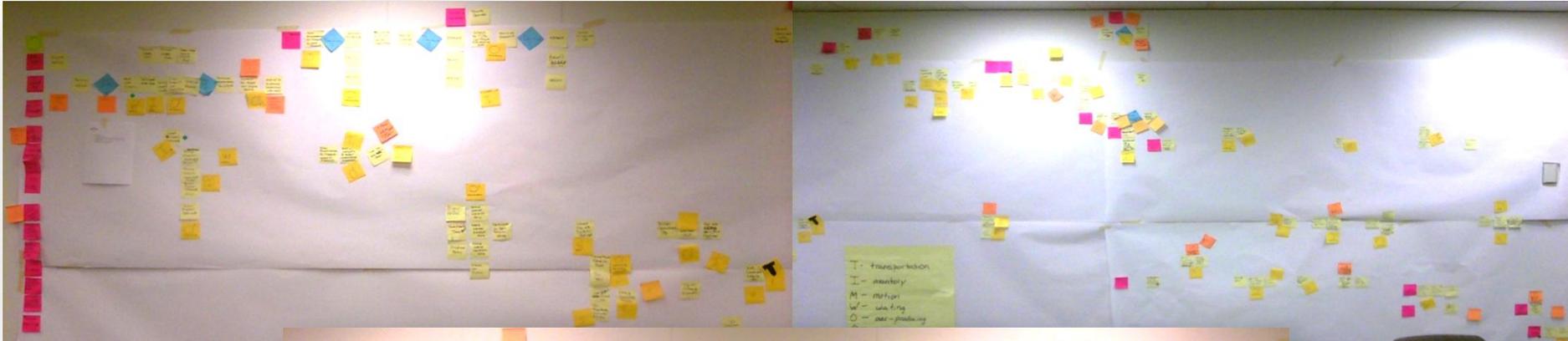
Controlling Board President, Randy Cole meets with team members to discuss board requirements

Future State

70 Steps – 7 Decisions – 42 Handoffs



Old Process 217 Steps 102 Handoffs

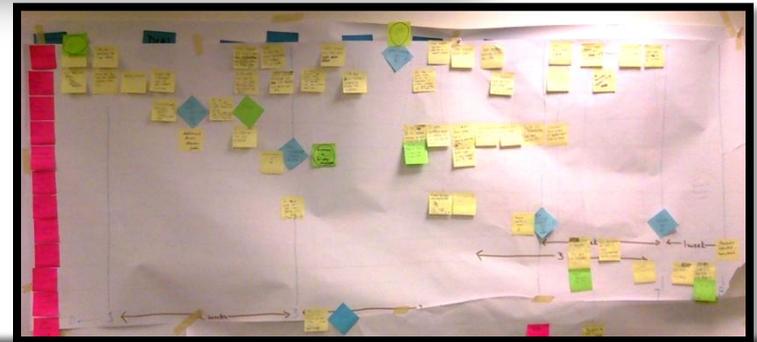


Score Card

MEASURE	OLD	NEW
Steps	217	
Decisions	7	
WASTE	97	
Handoffs	102	

New Process

70 steps 42 handoffs



Scorecard - Process

Measure	Current Level	Projected NEW	Change
Process Steps	217 steps	70 steps	68%
Decision Points	13	7	46%
Handoffs	102	42	59%
Waste Points	97	<u>Minimal</u>	-----
Process Lead Time	280 days	75 days	73%

More Results

- ⦿ Faster service to customers
- ⦿ More transparency
- ⦿ Fewer forms and less for customer to complete
- ⦿ Better use of technology
- ⦿ Better utilization of staff time
- ⦿ Where should this slide go?



Improvement Summary

Existing Process	Redesigned Process
Lead Time too long	Delivers service to customers in 75 days vs. 280 days under current process
Excessive handoffs	The process removes many review steps to reduce handoffs from 102 to 42
Company completes full FAA	JobsOhio Project Manager completes FAA for company
Terms and condition given at the end of the process	Terms and conditions provided up front
Multiple points of contact with Company	JobsOhio Project Manager guides company through process
Disbursement process cumbersome and inconsistent	Expedited disbursement process

Implementation Plans

- BOX Plan
- Forms and Checklist Plan
- Human Resources Plan
- Escrow Plan
- Benchmarking
- Operational Definitions
- Communication and Training Plan
- Information Technology Plan



ODOD Director Christiane Schmenk gets an update from LeanOhio's Bill Demidovich

"The BOX" Action Register

Is Project Eligible?

1. Must be a project:
 - a. New capital investment (land, bldg., M+E) not acquisition financing
 - b. Job creation for retention

Is it an 80% deal:

1. Not a start-up
2. No known state compliance issues
3. Private co. in a targeted industry (no 3rd party)
4. Competitive deal/risk of leaving the state
5. Profitable co./credit

Tools to determine Level of ASSISTANCE

1. Number of Jobs Created for retain
2. Investment
3. Hourly wage/payroll
4. Location in state
 - a. unemployment
 - b. per capita income
5. ROI - B/E YR 1 *
 - 10% Equity
 - \$ to job ratio
 - SCAP (not to exceed)
 - % CAP of overall cap ex.

This is complete by J.O.P.M.
Invest score to be in the 50-60 range and included calculate X share or total (or 10% 2% monthly)

HAT	WHO	WHEN
CREDIT DAN FINANCIAL ANALY STANDARDIZATION OF	1. JOHN M. TIMOTHY A. BILL S. NATE T.* RON	6 wks (30 JULY)
* Per job ratio, including how to determine level of assistance IN BOX	2. SHARON A. DARYL H. KRISTI T. KRISTI C. KAREN C.*	30 JULY
ROI SCOPE OF WORKS F+W	KRISTI T. KRISTI C. BETH T. JOHN M. DARYL H.	12 wks
STANDARD LOAN DOC. PROGRAM	DAVE L. KIP W. KRISTI T. DARYL H. BILL S. CARRIE M.*	30 JULY

Forms and Checklist Action Register

Pay Request

<u>What</u>	<u>Who</u>	<u>When</u>
- Reflected in loan docs	Kip	7-20-12

1- Pager

- Open Intro
- ~~Open Intro~~ Initial Call
- Co mtg w/JO (Salesforce, etc.)

Checklist (Customer 1st. mtg.)

<u>What</u>	<u>Who</u>	<u>When</u>
- Proj Financing Checklist & Eligibility	John M. John M.	6-29-12

FAA

<u>What</u>	<u>Who</u>	<u>When</u>
- What are the loan funds financing (specifically, detailed)	John M. K. Clouse	7-31-12
- Collateral / Security * in sales force, but not question for FAA		

Pay Request

<u>What</u>	<u>Who</u>	<u>When</u>
- Reflected in loan docs	Kip	7-20-12
- Completion Certificate		
- Review Certify Costs (JO)?		
- Timing when co. receives request		
- Certify Costs (DSA w/JO) Borrower		
- Online as a salesforce workflow		

Human Resources Action Register

HR

What	Who	When
• JO hires mid-level LO or CA (1 st p.)	J. Minor/HR	asap
• ODOD hires mid-level LO (BSC) - until Ju hires	D. Zak/HR	2wks/asap
• JO hires LKA (2 nd)	J. Minor/HR	after funding
• ODOD hires CA* (1/2)	D. Zak/HR	6 wks.
• ODOD vots internal CA. If able, start doing spreads as CA	D. Zak/HR	2 wks.
• Obtain JO/ODOD approval for LSC <ul style="list-style-type: none"> - JO Fin. Grp. Mgr. - JO Sr. LO - JO CIO - JO CLC - ODOD Fin. Inc. Mgr. - ODOD CLC - ODOD Dir. or desig. 	J. Minor D. Zak	now
• JO hires 1-2 v PA's more	K. Tanner/HR	after funding
• ODOD hires Fin Inc. Manager	D. Zak	asap

Escrow Account Action Register

WHAT	WHO	WHEN
1. LEADERSHIP AGREEMENT 2. HOW MUCH SEED DATA / WHAT NEEDS TO MAINTAIN	JOHN C, KEVIN G. SHARON A. RON W.	15 JULY 22
2. CONTROLLING BOARD / OBM AGREEMENT	CHRIS S.	15 JULY
3. SETUP ESCROW ACCT - CONVERSATION W/ BANK	JOHN C. KEVIN G.	JULY 5
4. SETUP TRACKING / AUDITING PROCESS	GLORIA C.	15 JULY
5. PREPARE ESCROW AGREEMENT	DIANE L.	15 30 JULY
6. DEVELOP THE DISPURSBMENT PROCESS	DSA / JO RON W. SANDY B. SHARON KEVIN G.	22 JULY

Benchmarking Action Register

What	Who	When
• Survey 90 respondents if loans in other states	G. Calcara	2 weeks
• Survey / talk to large consultant firms	Jo TBD	4 wks
• Ask regional JO Network	Jo TBD	4 wks
• Ask LEDOs (talk to local companies)	D. Zak	4 wks
• Consol info	D. Zak G. Calcara	2 wks

Implementation Action Register

Overall		Implementation	
What		Who	When
- Monthly Review -			
• 30 Day Mtg	- 7/17	8am	K. Conrad
• 60 Day Mtg	- 8/21	8am	K. Conrad
• 90 Day Mtg	- 9/18	8am	K. Conrad
- Weekly Mtgs -			
• WK 1	- 6/26	8am	K. Conrad
• WK 2	- 7/3		
• WK 3	- 7/10		
• WK 5	- 7/24		
• WK 6	- 7/31		
• WK 7	- 8/7		
• WK 8	- 8/14		
• WK 10	- 8/28		
• WK 11	- 9/4		
• WK 12	- 9/11		
• Report out		D. Zak	1 wk
• Schedule dev		K. Tanner K. Conrad	1 wk

Operational Definitions Action Register

OPER. DEFINITIONS		
What	Who	When
• Draft list created	D. Barlow	now
• Draft manual (w/def's)		2 weeks
• Circulate manual to Kaizen group		1 week
• 2nd draft of manual (consolidated)		2 weeks
• 2nd review + editing		1 week
• Communications / Graphics formatting (hard copy / online)		1 week
• Final distribution Approval		1 week
• Final distributions to Kaizen group		1 day

Communications and Training Action Register

What	Who	When
Report Out	G. Calcara	1 week
New Process Map. (Visio) .pdf	G. Colcasa	now/1 day
Current Map	N. Trombley	1 week
Report Out Doc	R. Martinski	by report out
Marketing Plan	T. Walker	2 weeks
Training Plan + Training	internal { R. Wiley K. Clouse/N. Green D. Hennessy external { L. Jones T. Walker • guidelines " • any other docs" for customer	8 wks 6 ⁺ wks

IT Implementation Action Register

IT Salesforce Modifications

<u>What</u>	<u>Who</u>	<u>When</u>
<p>Workflow</p> <ul style="list-style-type: none"> - client proj. sum mary email - modify offer letter approval process - ability for Schenk + Kramme to approve DL in SF (ie delegates) - PM receiving + sending DL to customer - Finance Review (ID) - hot warm cold - and Key Finance Data Points 	KC	June 29 2012
<p>Workflow (cont)</p> <ul style="list-style-type: none"> - offer offer letter - Term Sheet (Form letter) - Controlling Board 	KC	July 19 2012 Aug 31 Aug 31
<p>SF Fields</p> <p>loan: completion date, Start date, CSI; Go forward</p> <p>loan Data: including, collateral, Guaranties</p>	KC	Aug 31
<p>Application</p>	KC	* 7/31/12
<p>Payment Request Form</p> <p>* Team V, MChutes, Tracy</p>	KC	

Gantt Chart Details

- 6 General Categories
 - Training & Communication (13)
 - Documents & Standards (6)
 - Operational Definitions (7)
 - Salesforce (10)
 - Human Resources (9)
 - Escrow Account & Disbursement (7)
- Completeness:
 - 2 items 100% complete
 - 3 items between 80-90%
 - 4 items between 50 – 80%
 - 7 items between 25 – 50%
 - 7 items between 1 – 25%
 - 29 items yet to be started or waiting on other items to complete

52 Total Items

Due Date:	July 2012	August 2012	September/October 2012	February 2013
Number:	32	14	2	2

Progress Made to Date



- ◎ Weekly update meetings
- ◎ Met with TOS & OBM re: escrow account
- ◎ Salesforce modifications are pending
- ◎ Hired 2 key staff
- ◎ Draft operational definitions
- ◎ Drafts of standard forms/documents in process

Personal Lessons Learned from the Event

- I can eat massive amounts of unhealthy snacks and still be productive
- LeanOhio Rocks
- Kaizen Works
- JO and DOD can realize the promise of the model
- Leadership has to support and drive the change
- Work on the system, not just in the system

What Questions/Comments do you have?



Special *THANKS* to...

Senior Leadership:

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