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LEAN STRATEGY IMPLEMENTATION:

The successful start of a lean organization begins with the commitment from management and sponsor, as well as organizational training.

SUCCESS IS ACHIEVABLE THROUGH THE ACCOUNTANT

GARY KAPANOWSKI

The general consensus is that if the strategic plan is constructed properly, then it will be implemented successfully — similar to the idea expressed by Chevy Chase in the movie *Fletch* (1985): "It's all ball bearings nowadays." However, the evidence points to the contrary. In a recent study by the Project Management Institute (PMI), only 56 percent of strategic initiatives meet original goals and business intents, resulting in a 10.9 percent loss of investment.[1] The high variance of success rates, ranging from 89 percent to 36 percent, suggests high-performing organizations waste almost 12 times less than low performers.[2] Other contributing factors for successful implementation, including strategic alignment (71 percent to 48 percent) and organization agility (69 percent to 45 percent), suggest the case for lean strategy.[3]

Lean strategy changes this outcome due to its foundational focus on the customer in every process and task performed by the individual and organization as a whole. The accountant is uniquely positioned within the organization to impact the success of strategy implementation, as well as the support and development of lean. This article will explain:

- why the accountant is suited to start the lean strategy;
- how to start a lean strategy;
- how to continue lean organizational development; and

GARY KAPANOWSKI, *Certified Lean Six Sigma Master Black Belt and Certified ASQ Bronze professional, is a cost accountant for Moeller Manufacturing, a leading aerospace parts supplier, and Lean Six Sigma Master Black Belt Lecturer at Lawrence Technological University's Professional Development Center. Utilizing experience with metrics and the balanced scorecard, Gary earned the 2006 Financial Executive of the Year award from Robert Half International and the Institute of Management Accountants. His current focus is assisting office workers with simple techniques for adopting lean in the office to eliminate waste.*

- how to finish with lean operations and control.

With direction, the accountant can become a driving force for successful strategy implementation and positive performance within the organization.

Why the accountant is suited to start the lean strategy

In my workshop for the Association of Strategic Planning and in my *Cost Management* article on lean strategy, I discuss how lean lays the foundation for a nonreplicable and sustainable corporate strategy.[4] Lean is a strategy based on the customer. It is differentiated based on the uniqueness of the employees, use of resources, and progress in the organization's lean development.

Lean constructs a unique strategy due to the multifaceted culture of an organization. Like a fingerprint, the formalization of the corporate culture is unique to each person and, in this case, the organization. Lean will drive the standardization of the corporate processes. The collection of all processes will create the culture of the organization with the very foundations of lean: continuous improvement and respect for people. People will act in accordance with lean thinking, focusing on the customer and doing more with less — all completed automatically, without thought. Eliminating waste and delivering customer value through continuous improvement can be achieved. Thus, lean strategy combines two important factors for successful implementation: strategic alignment and organization agility.

Implementing strategy to drive value for the customer and stakeholder is elusive at best. Along with the aforementioned low success rates of strategy implementation, the lack of professional guidance in the execution process contributes to this problem. In PMI's knowledge guidebook, which explains best practices for project administration, most of the instructions for a successful project do not pertain to execution or implementation; for these processes, only eight steps are identified. In contrast, planning includes 24 process steps, and monitoring and controlling a process (after execution) represents 11 steps.[5] In terms of percentages, execution represents only 17 percent of all process steps. When compared to 51 percent for planning and 23 percent for monitoring and controlling, the focus is unintentionally stressed on areas other than execution, which is the highest area deliverable to the customer. Because more than 70 percent of all tasks in administrating a successful project, as defined by the PMI, do not involve executing or implementing the project, it is not surprising that most projects fail. In the words of Peter Drucker, "What gets measured, gets improved." This indicates that execution is not measured as well as other tasks, resulting in projects failing at a higher rate than intended.

To counter these inherently negative performance aspects, the accountant is positioned within the organization to provide the positive influence needed to successfully implement the strategy.

TO COUNTER THESE INHERENTLY NEGATIVE PERFORMANCE ASPECTS, THE ACCOUNTANT IS POSITIONED WITHIN THE ORGANIZATION TO PROVIDE THE POSITIVE INFLUENCE NEEDED TO SUCCESSFULLY IMPLEMENT THE STRATEGY.

Goal completion. The accountant has a macro view of the organization and its goals, so he or she can prioritize lean initiatives strategically in order to complete business goals and projects. Many times lean initiatives can be completed but do not provide a clear path for successful implementation. The accountant can eliminate this suboptimal execution and ensure the implementation of projects and goals. Thus, the direct pathway for goal and project completion can be realized.

Monitor and control processes. The accountant's natural function within the organization is to monitor and control processes that drive financial performance. This is also the second most-mentioned process group listed in the PMI's knowledge guidebook, providing the necessary countermeasures needed to prevent unsuccessful implementation activities.[6] The accountant's other function is to understand organizational processes, including: internal controls, external auditing, International Organization for Standardization (ISO) certification, Sarbanes–Oxley (SOX) compliance, Securities and Exchange Commission (SEC) regulations, cash flow, monthly management review, and business-planning. Thus, the accountant is responsible for understanding the organization's business and customers — the very fundamentals of lean and successful strategy implementation.

Financial impact. Being able to access and understand the financial data, the accountant is fit to understand the customer based on financial impact. The accountant can determine if and where the organization is making money and thus can recommend improvements for success. Because of his or her connection to the business *and* the customer, the accountant is uniquely networked, directly and indirectly, throughout the organization and can provide the necessary linkages to lead the organization in improving processes.

Close proximity to the customer. Any organizational real estate that connects a task to the customer is valuable (such as shipping). Understanding a process starts at the end of the value stream (i.e., the customer). The accountant has many of these direct customer connections, including handling cash and contracts and reconciling sale orders, to name a few. There are also indirect opportunities to understand the customer through handling regulatory issues (such as issuing SEC reports). Other indirect opportunities include customer requirements (e.g., bank audit requests, ISO certification, external financial audit, and SOX compliance).

Access data. The accountant has the ability to access data in order to analyze the financial impact of lean initiatives and help with the organization's lean progression. Most lean initiatives work well in the first two years due to the early success of easy-to-find initiatives and positive momentum. When the easy gains are hard to realize (or when the "low hanging fruit" are difficult to identify), support from sponsors and management starts to fade. The accountant's ability to identify the best data to analyze, locate that data, evaluate the data, and calculate the financial impact of the data will assist with successful lean improvements at the beginning and sustain lean development over time. This detailed understanding of the organization's data allows the accountant to become instrumental in any lean transformation.

How to start a lean strategy

The first step in starting a lean strategy is to obtain full support from your organization's management. A dedicated sponsor for assisting with the lean transformation will communicate and focus the organization's goals on the lean message. Establishing a management office for the sponsor reporting directly to the C-level executives, or for that C-level executive, will greatly improve the success rate of the project.[7]

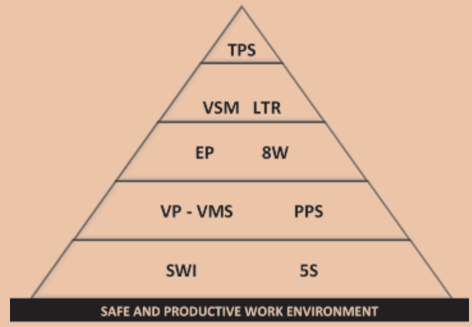
The next step is to implement lean training throughout the organization, which will help focus on understanding the customer through continuous improvement and respect for people. This includes learning the Toyota Production System (TPS) and the eight wastes of lean.[8] For the accountant, extending the training into the normal processes, such as cash cycles and budget-planning, will reinforce the commitment to lean. The accountant can determine if the normal organizational processes, such as timely inventory and accounts receivable turns, are improving. Additionally, the accountant can validate that lean is represented in business plan improvements (and how those improvements will be achieved) and assess the financial impact of lean over each year of the business plan. This is lean thinking: Involve everyone in the organization with everyday continuous improvement efforts and come up with more ways to do more with less by making the processes better, cheaper, easier, faster, and safer for the customer.[9]

THIS IS LEAN THINKING: INVOLVE EVERYONE IN THE ORGANIZATION WITH EVERYDAY CONTINUOUS IMPROVEMENT EFFORTS.

Lean organizational development

As previously discussed, a successful lean organization begins with commitment from management and a sponsor, along with organization-wide training. The next phase is to develop the lean organization with lean concepts and tools. Training will introduce and teach several lean tools, but, for most people, properly using even one lean tool takes time. Start slow with one project at a time, one lean tool at a time, and record the results. Use the lean pyramid (Exhibit 1) in which the basic understanding of lean tools is shown; by starting at the base of the pyramid, users can gradually develop their skills in understanding and utilizing the tools.

EXHIBIT 1 Safe and Productive Work Environment



Lean Tools
- TPS: Toyota Production System
- VSM: Value stream mapping
- LTR: Lead-time reduction
- EP: Error proofing
- 8W: Eight wastes
- VP - VMS: Visual plant - visual management system
- PPS: practical problem-solving
- SWI: Standard work instructions
- 5S: Workplace organization

Along with keeping employees active in continuous improvement, the organization needs to assist employees in utilizing these new skills. Successful organizations provide elements of leadership and structure for lean development, which include a continuous improvement project log, project prioritization, and training. The continuous improvement project log provides a standardized approach to recording completed projects.[10] This can indicate the limited skill development of the organization, sometimes called a one-trick pony. Another way to view stagnation is through a quote by Maslow about using a hammer to solve all problems: "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail."[11]

The other aspect of lean development is the prioritization of projects. The accountant is directly skilled in identifying the financial impact of projects, which is essential for every lean organization. In most cases, financial impact is the hardest item to record. A skilled accountant can calculate the impact of assisting with project prioritization. Another aspect of prioritizing projects is the connection of the projects to the organization's goals. As discussed previously, the accountant uses the macro views of the organization to determine the optimal selection of projects in order to achieve the organization's goals. Lastly, the selection of projects over time must be diverse and become riskier for improvement. The improvement teams within the organization must position themselves to stretch their capabilities and try to improve in all areas. This is a similar concept as the one discussed previously, using the same tool for every improvement opportunity. Selecting the same type of project every time is also a concern. The accountant is responsible for monitoring and controlling aspects of the organization and communicating the results, for example, in the details of the balanced scorecard (BSC) and continuous improvement project log. This record-keeping of project results and details will provide necessary data for the lean development of the organization and its employees over time.

Training becomes a true indicator of lean development. Over time, the organization might find improvements harder to replicate, as opposed to earlier gains. This clearly indicates that the organization has not continued to develop new skills and has ceased its lean evolution. When the organization loses the ability to adopt new lean skills and tools, lean development will stall, lose organizational support, and fade away. The accountant can determine if this is happening through business-planning and monthly reporting of financial results. The accountant can quickly determine if the organization's lean development is progressing or receding based on the reported results and the reasons why certain failures or successes occurred. This will indicate not only the financial gains from using lean, but also the tools that were utilized for these results. In the early stages of lean, there might be only a few lean tools used within the organization. Over a period of time, more tools will be learned and utilized, which will provide a better gauge of the organization's lean capability (i.e., improved financial impact). If any gaps are identified, training is implemented to improve employee skills in order to eliminate issues, build individual and team confidence, improve organizational lean momentum, and motivate team unity.

Lean operations and control

The accountant has a variety of options to assist with implementing and sustaining lean. As described with ISO and internal controls, the accountant has access to and is required to understand various processes within the organization. One lean tool used to understand processes is the value stream map.[12] This is a more detailed version of a process description than those used in ISO or internal controls. By identifying key customers, products, or services, the organization can learn where the waste or "hidden plant" is located within the organization. By eliminating waste, the accountant allows the organization to become closer to the customer and improve the success rate of strategy implementation.

As the organization completes the value stream maps of key financial performance processes, it will need to communicate how the organization is performing. BSCs are a great way to indicate how the organization is progressing with its strategy and goals.[13] Using the TPS principles and eight wastes as the scorecard, the organization will have a systematic approach to understanding what is driving performance and how it is performing against these standards.[14] This is accomplished by listing each of the items as a scorecard indicator for lean as the fifth indicator of the BSC (i.e., financial, customer, operational, and learning and growth). Under lean, the TPS principles and eight wastes are listed. Comparing the actual results with the overall direction of the lean listings will provide the organization's overall lean direction. At the beginning, this understanding is important in order for lean to continue and survive. Later, more detailed standards can be used to compare actual results for improved metrics and determine the status of lean within the organization. Thus, the accountant becomes the key figure in the development of lean due to the reporting to management and sponsor.

USE OF VISUAL MANAGEMENT CONTROL CHARTS AND KEY PERFORMANCE INDICATORS WILL SHOW IF THE ORGANIZATION'S PROCESS AND PROJECTS ARE RUNNING EFFECTIVELY AND EFFICIENTLY.

Monthly review of financial results is the final way an accountant can be valuable in developing lean within an organization. This includes review of the monthly budget, finances, operations, and project results. The results or trends revealed during these reviews indicate the organization's lean progress. The accountant will be the first to report and analyze these results. Use of visual management control charts and key performance indicators will show if the organization's process and projects are running effectively and efficiently; thus, it will show whether the organization is in control, or lean.

Conclusion

When implemented, lean strategy will produce the successful results specified by management's strategic plan. This is due to the organization understanding the customer (i.e., strategy) throughout every process activity. The accountant has the unique capability to be a key performer in lean strategy implementation; this includes achieving goals, monitoring and controlling processes to drive financial performance, identifying financial impact, assessing proximity to the customer, and analyzing data. With the accountant infused with the lean strategy, strategic plans can be successful. ■

NOTES

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[2] *Ibid.*

[3] *Op. cit.* note 1.

[4] Kapanowski, G., Lean strategy: Customer focus for generating competitive advantage, *Cost Management* 30, no. 5 (2016): 37–42.

[5] Project Management Institute, *A Guide to the Project Management Body of Knowledge — Fifth Edition (PMBOK Guide)*. (Newtown Square, P.A.: Project Management Institute, 2013).

[6] *Op. cit.* note 5.

[7] Lefort, F., McMurray, D., and Tesvic, J., "Secrets to implement success," McKinsey & Company (July 2015). Available at: http://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/secrets-to-implementation-success.

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