

Introduction to Lean Accounting

Presented by: Nick Katko, BMA

Agenda: Introduction to Lean Accounting

Lean Accounting Strategy

Economics of Lean

Practicing Lean in Accounting

Lean Management Accounting

Benefits of Lean Accounting

Wrap Up & Questions

Lean Accounting Strategy

Lean Accounting

Lean Thinking

- applied to accounting & finance processes and systems

Value

- deep understand of value to accounting's customers

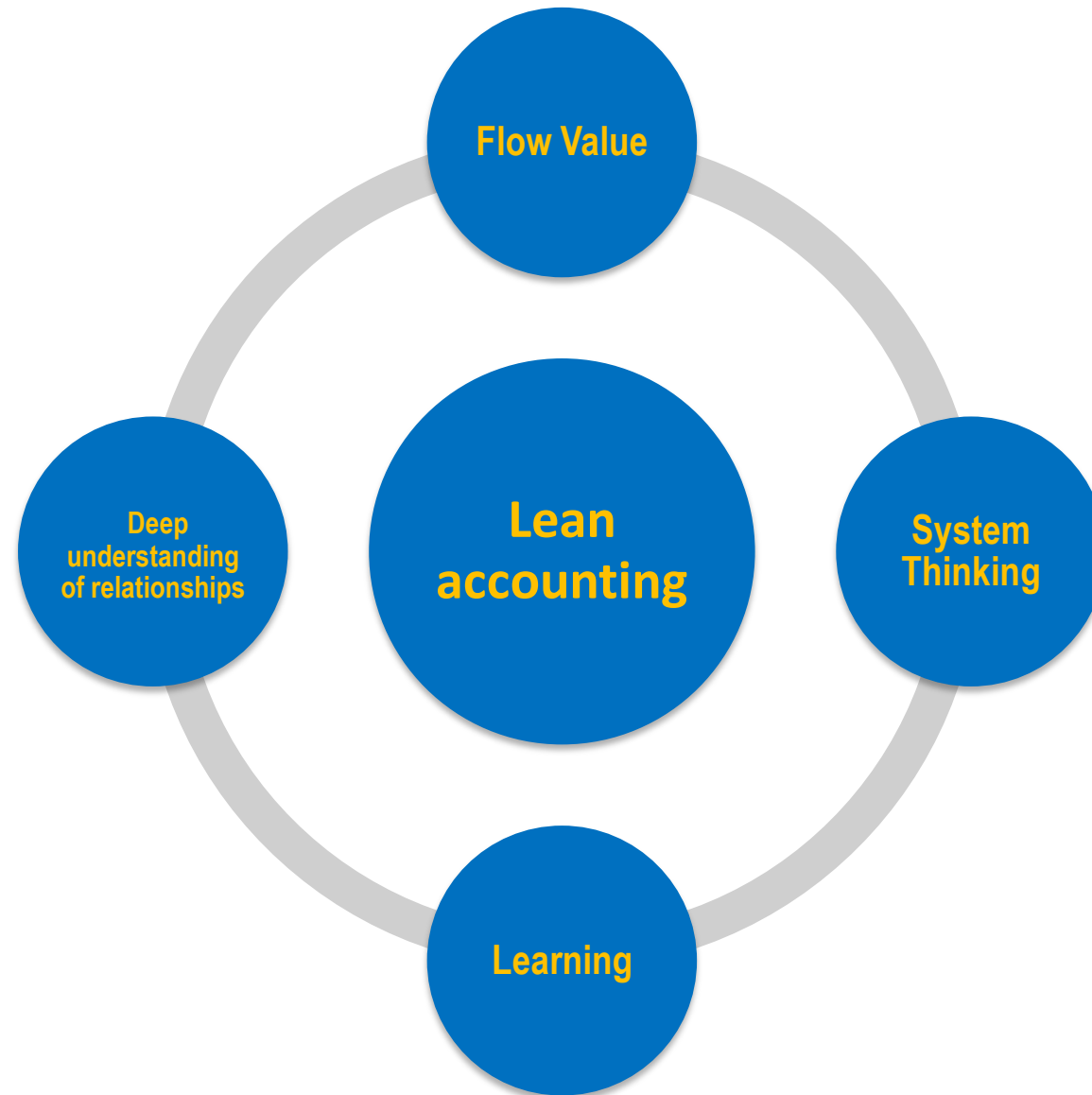
Flow

- value to all customers

Pull

- respond to customer pull

Service Excellence



Lean Accounting Practice Areas

Practicing Lean in Accounting

- improve accounting processes, create capacity, deliver value

Continuous Improvement

- business processes accounting is part of
- integrate with operational improvement

Management Accounting

- deliver relevant and reliable information to users to improve decision making

Lean Thinking in Accounting

Customer-facing processes

- improve to deliver value

Accounting processes

- eliminate waste, create capacity

Business processes

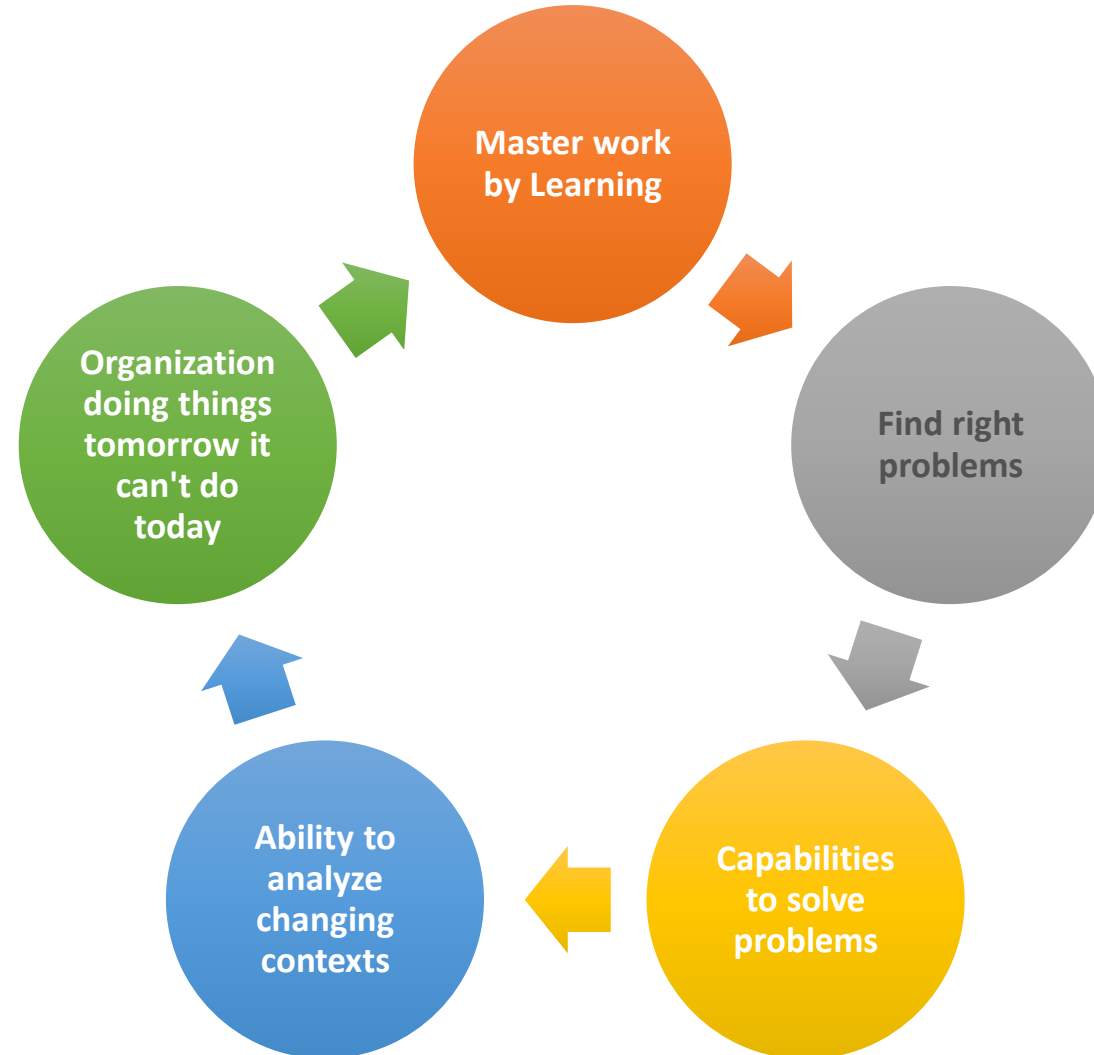
- participate in & contribute to cross-functional kaizen events

Financial coaching

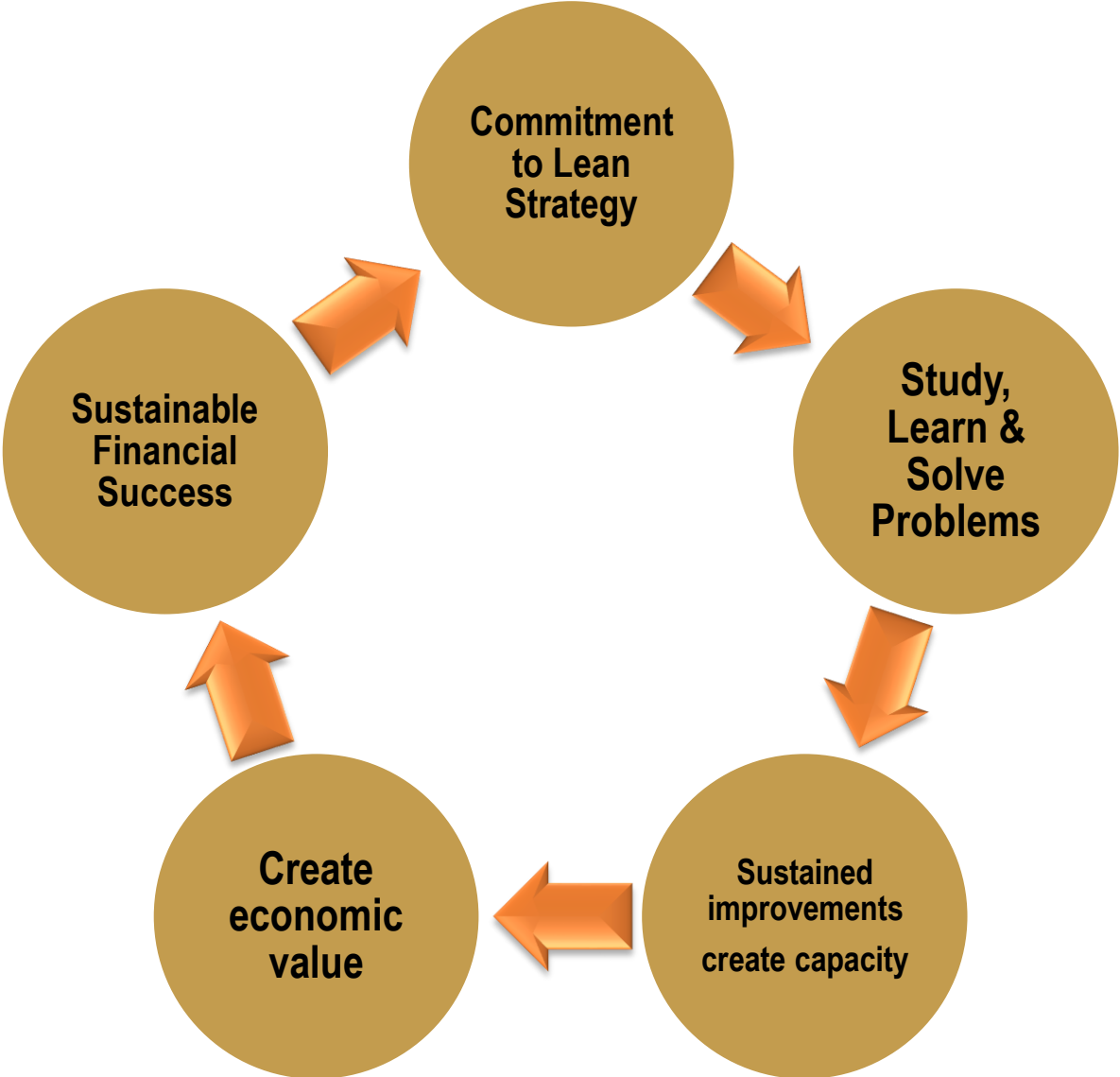
- integrate analytical skills into business processes

Economics of Lean

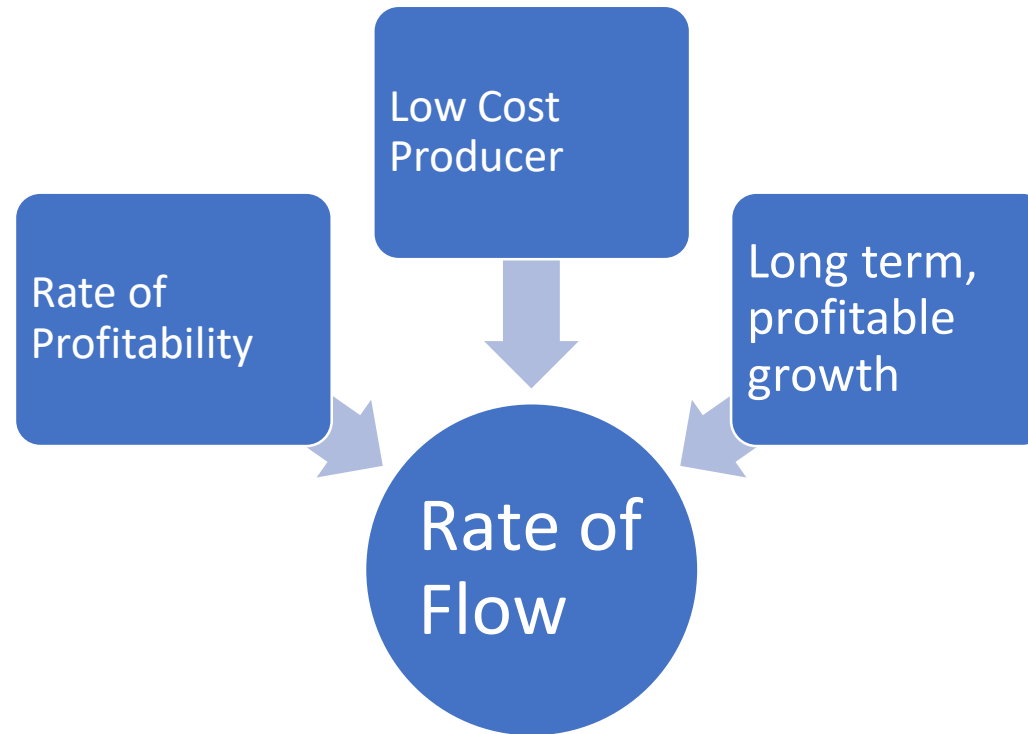
Lean is a People-Centric Learning Strategy



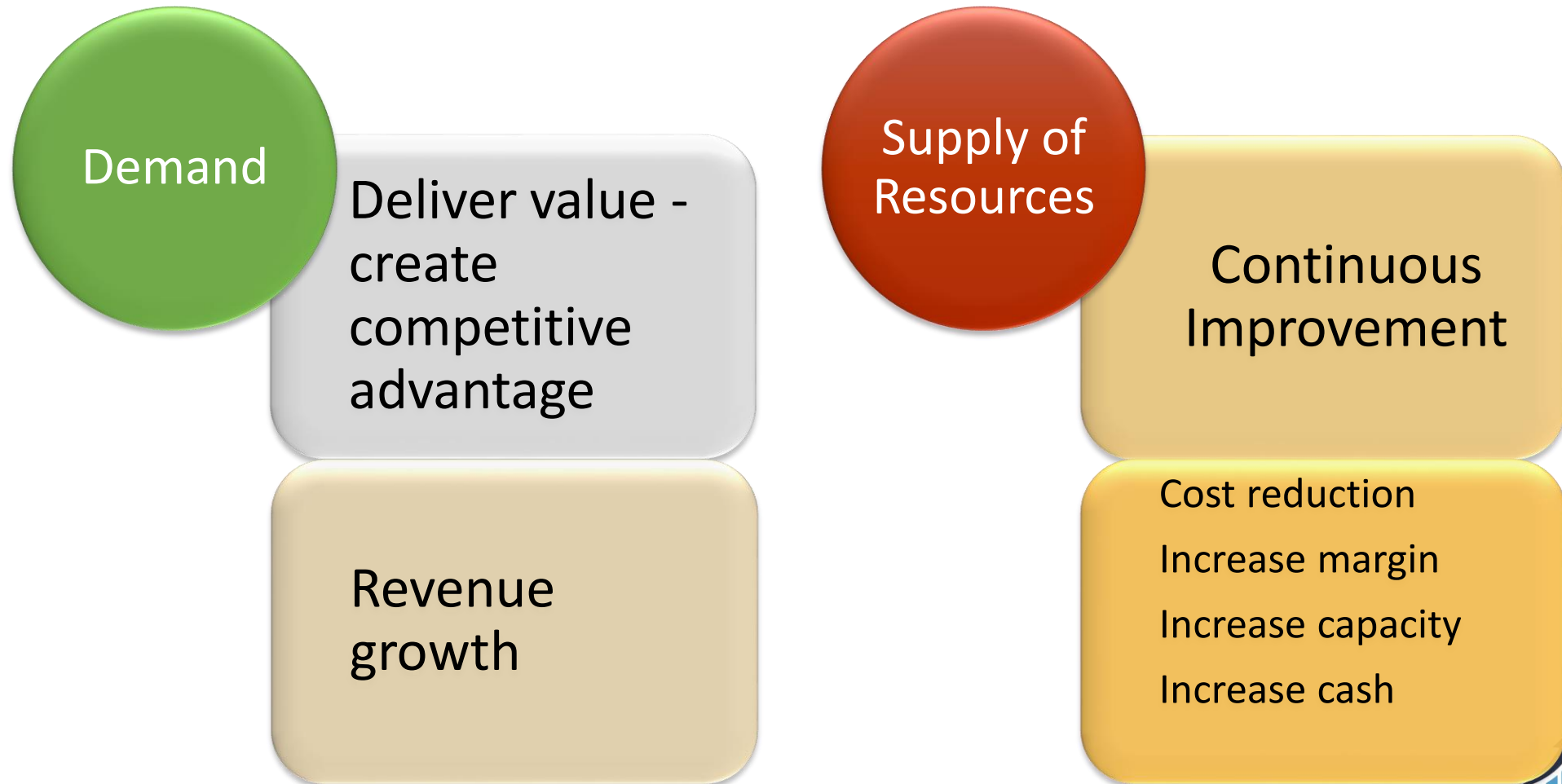
Lean Strategy: Financial Benefits are *not direct nor immediate*



Rate of Flow = Rate of Profitability



The Economics of Lean: Creating Economic Value



Example of the Economics of Lean

- Your Value Stream currently sells 1000 units per month at a price of \$200

Revenue	\$200,000
Materials	\$120,000
Production	\$60,000
Profit	\$20,000 (10%)

- Using Lean you free up 20% more capacity & increase sales to 1200 units per month.
- What is the cost of the additional 200 units?

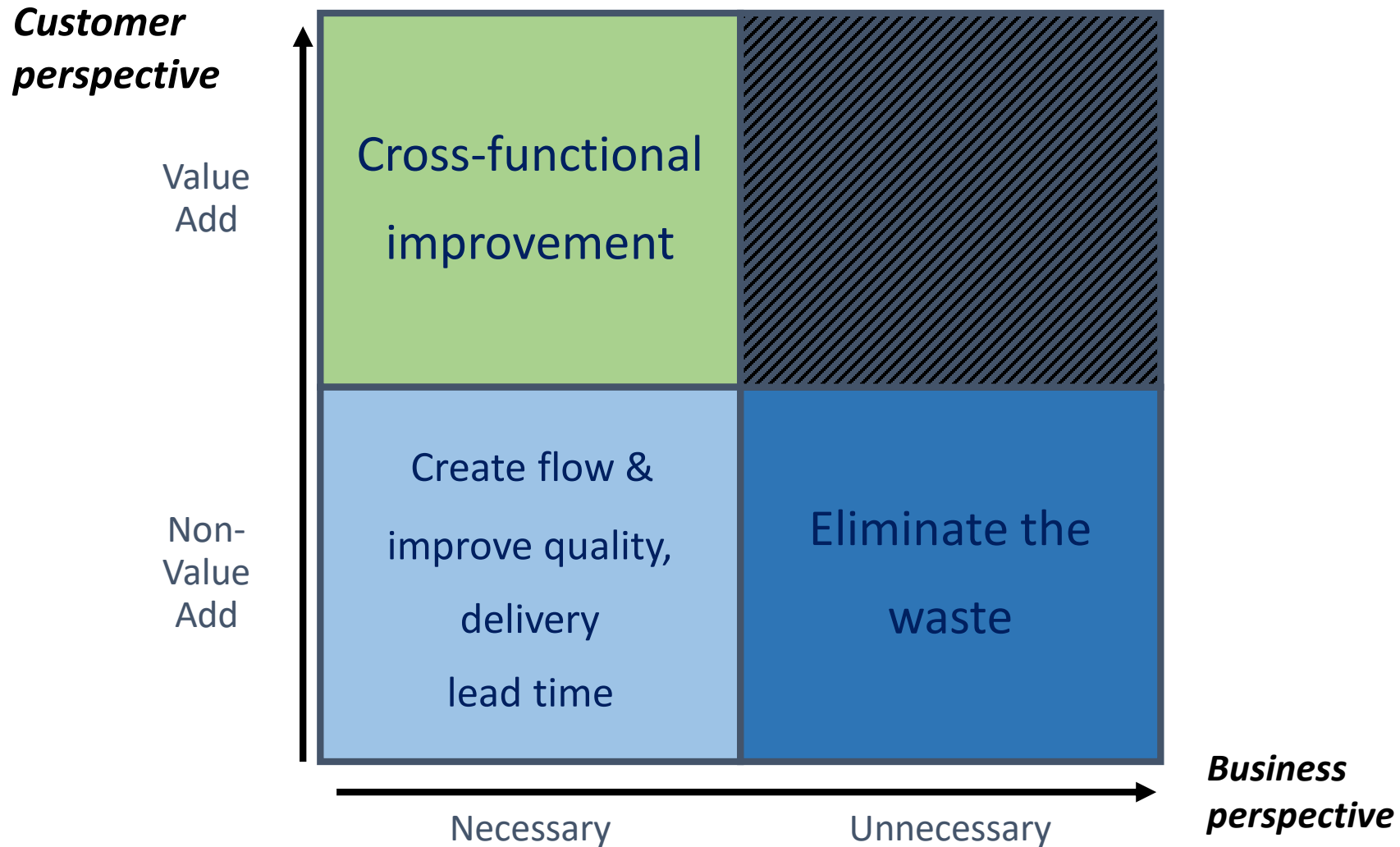
Revenue	\$240,000
Materials	\$144,000
Production	\$60,000
Profit	\$36,000 (15%)

Revenue increases 20%.

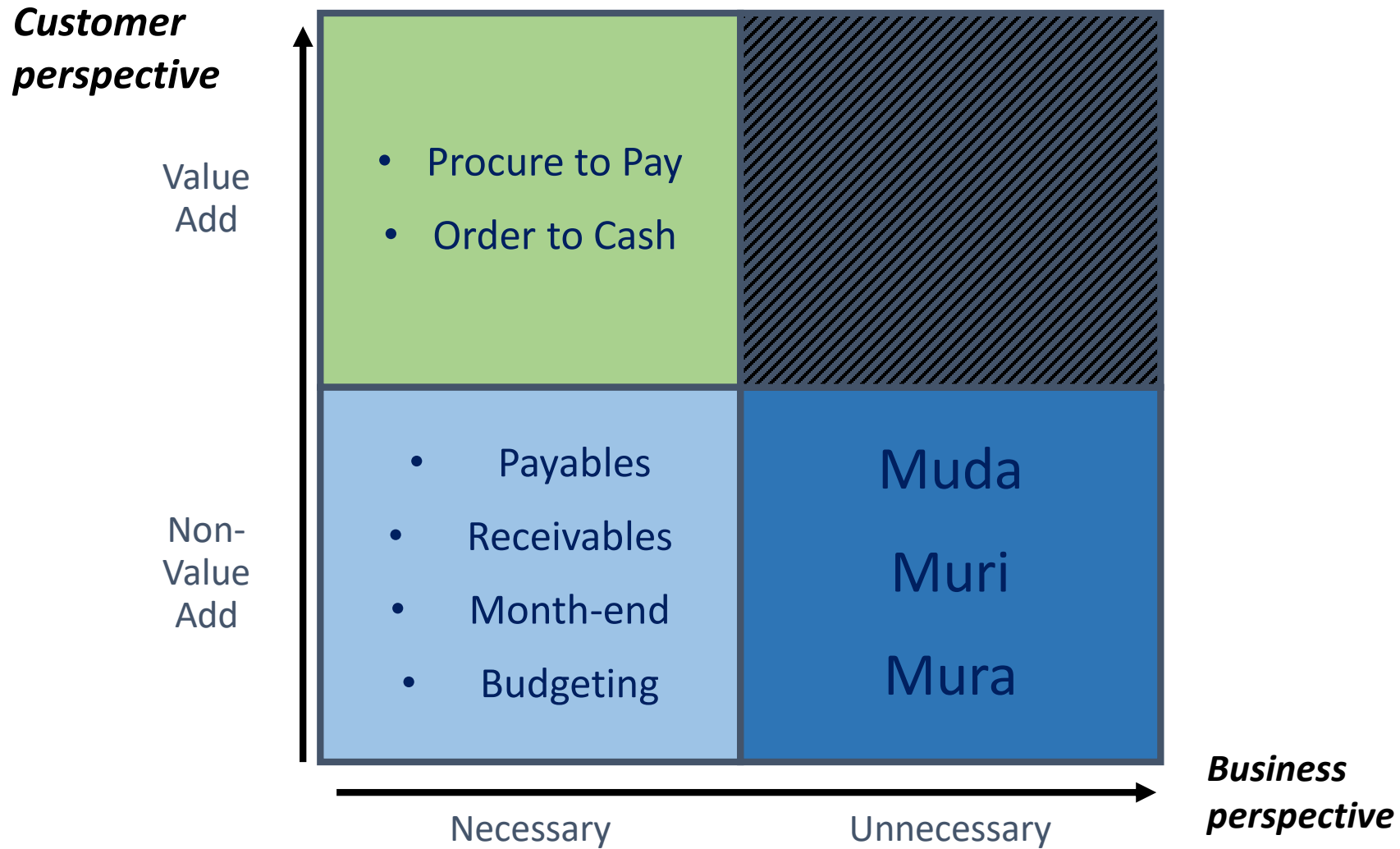
Profits & Cash increases 80%

Practicing Lean in Accounting

Lean Accounting Improvement Matrix



Lean Accounting Improvement Matrix



Improving Quality: Principles of Jidoka



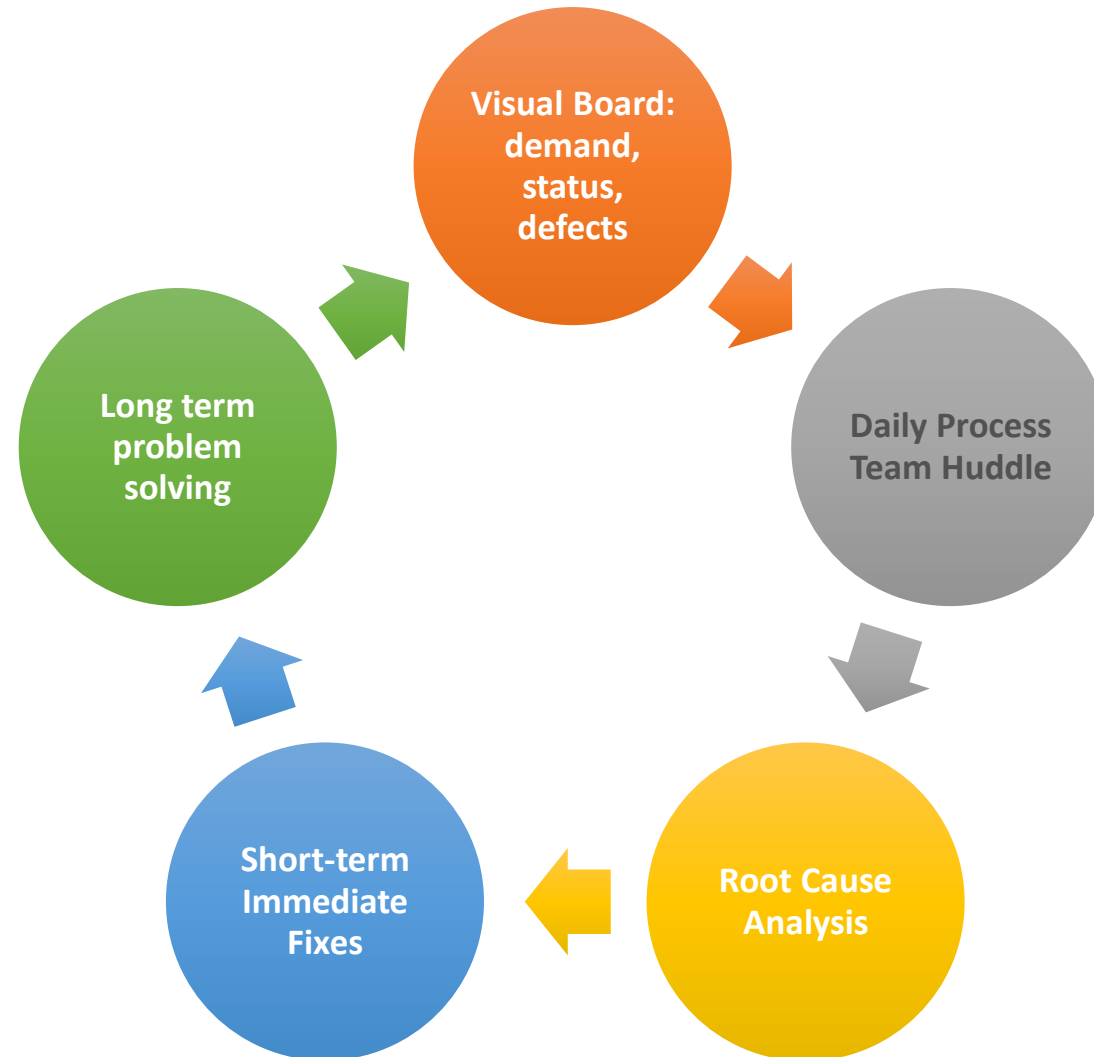
Create and Manage Flow

The Flow time through any process is determined by the queue of work in the process

The larger the queue the longer the Flow time

Manage the queue by limiting the work in the process

Daily Lean Management Practices

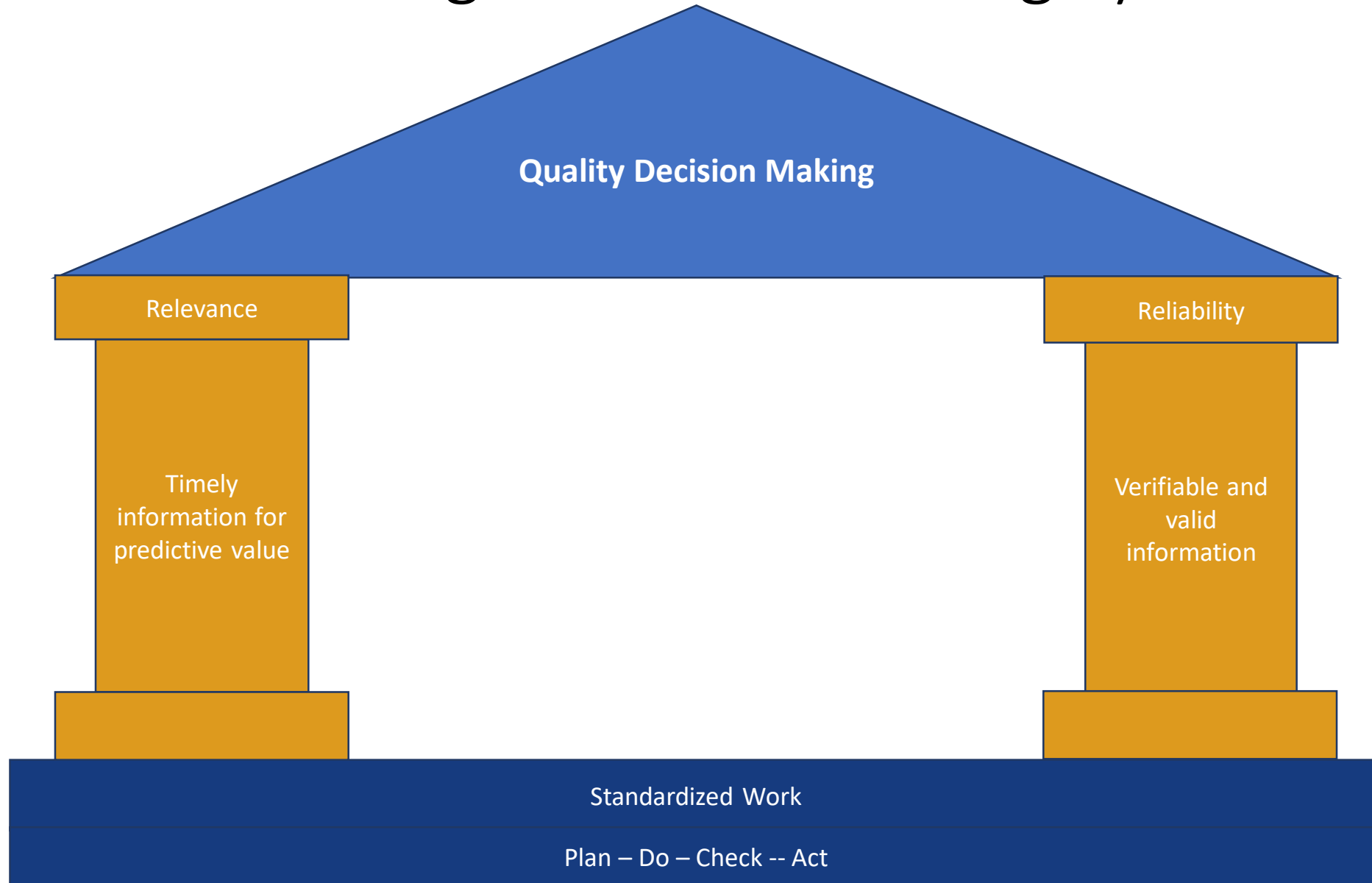


Lean Management Accounting

Management Accounting System Waste

Defects	Information not aligned with Lean & often incorrect
Over-production	Unnecessary work steps
Waiting	Long feedback loops
Neglect of Talent	Not striving to improve to create value
Transportation	Movement of information
Inventory	Standard, rate or allocation setting processes
Motion	Meetings
Excess processing	Maintenance of systems

Lean Management Accounting System



Lean Management Accounting Principles

Value

- relevant & reliable information to meet customers' needs

Flow & Pull

- right information at the right place to the right people at the right time

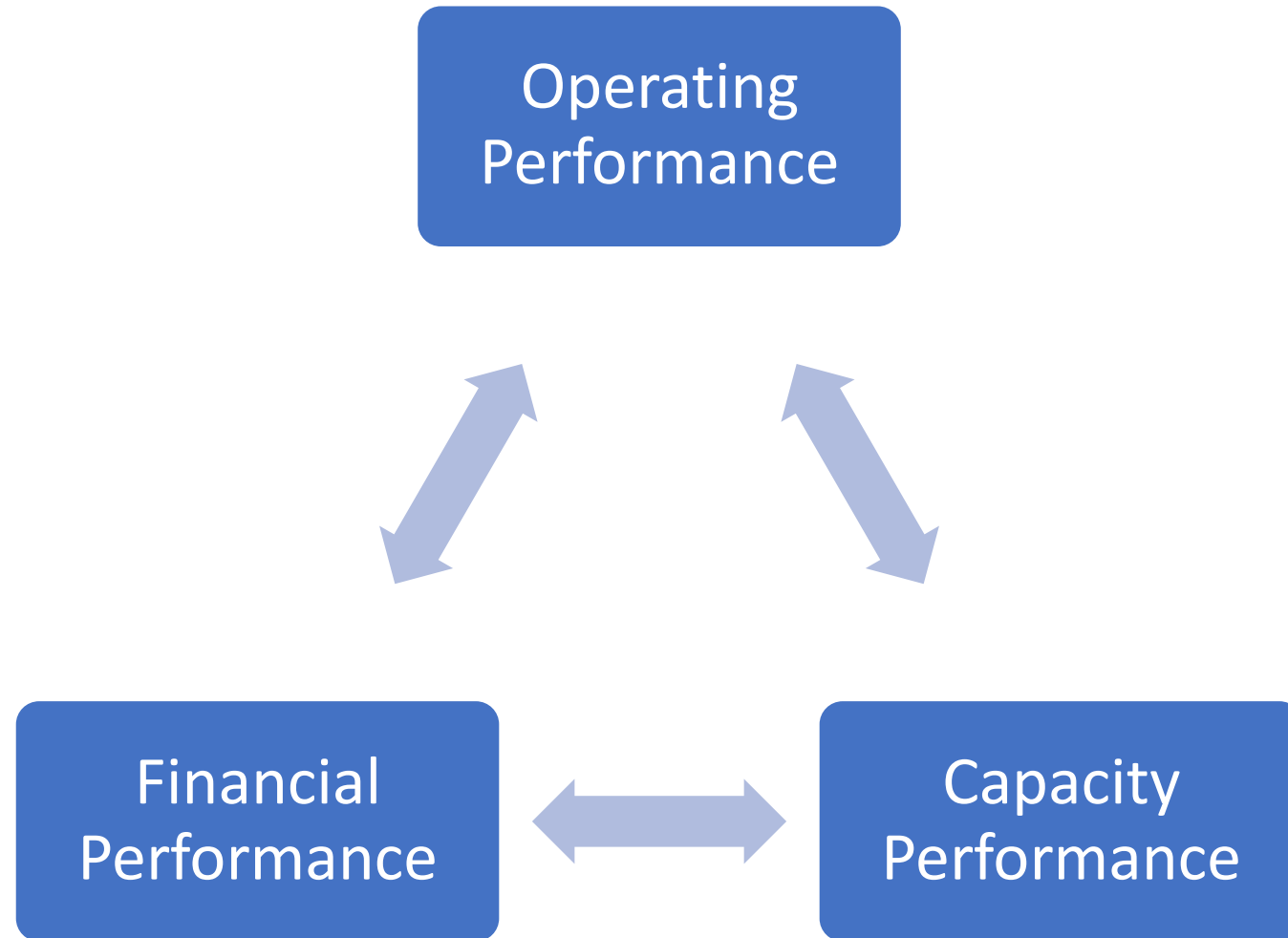
Quality

- improve analysis & decision-making

Improvement

- continually improve system to better align with lean strategy

Deep understanding of relationships

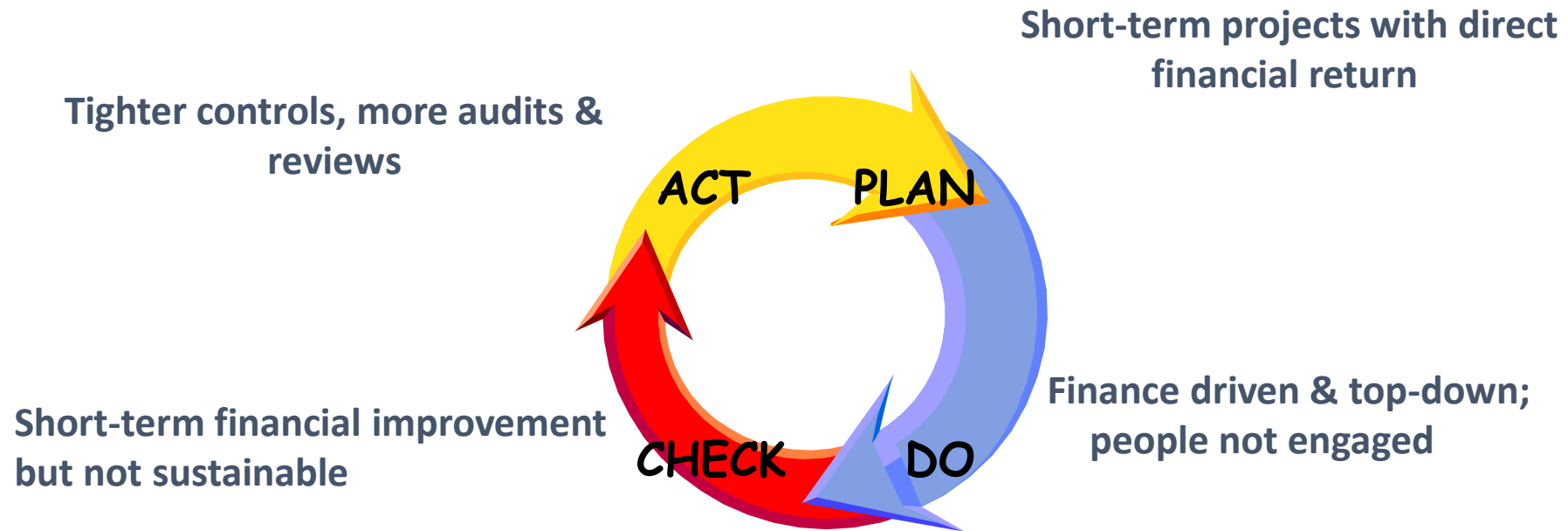


Benefits of Lean Accounting

“Traditional” Accounting



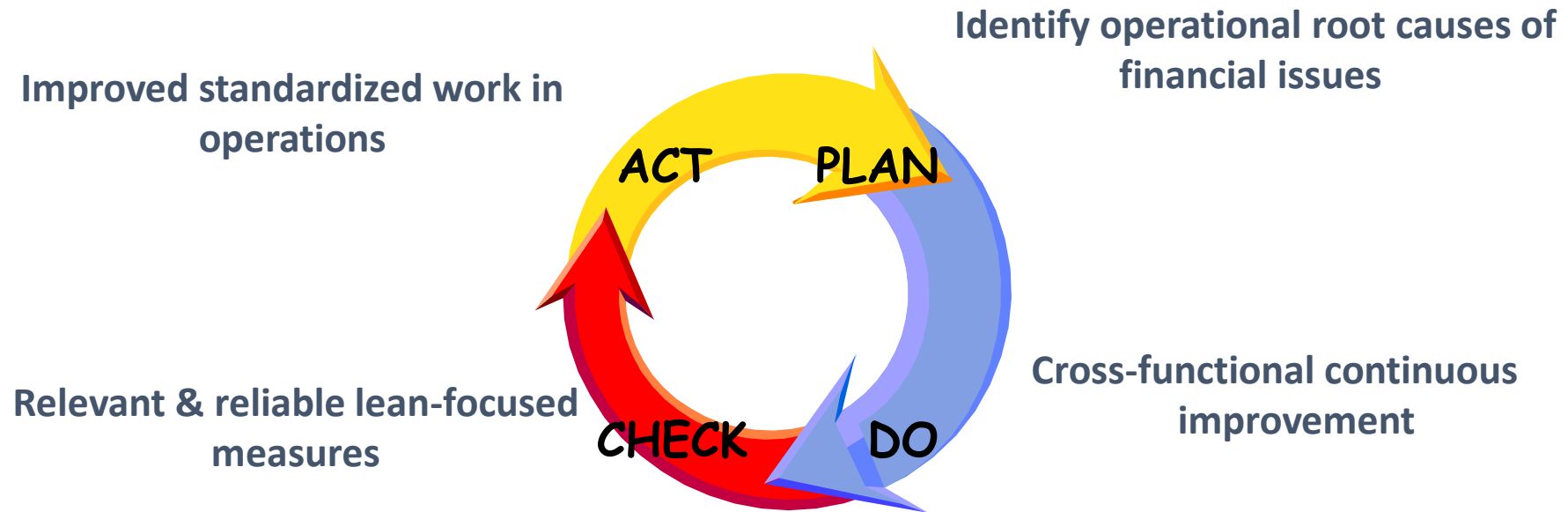
Traditional Financial Improvement



Lean Accounting



Lean Financial Improvement



Lean Accounting Transformation Process

Create awareness

- training & education

Build desire

- current state & future state

Demonstrate

- conduct pilots

Sustain system

- standardized work, coaching, improvement

Getting Started: Apply Lean Thinking

Practice area?

- Lean in accounting *or*
- Lean management accounting

Customer value

- what do you (internal) customers want?

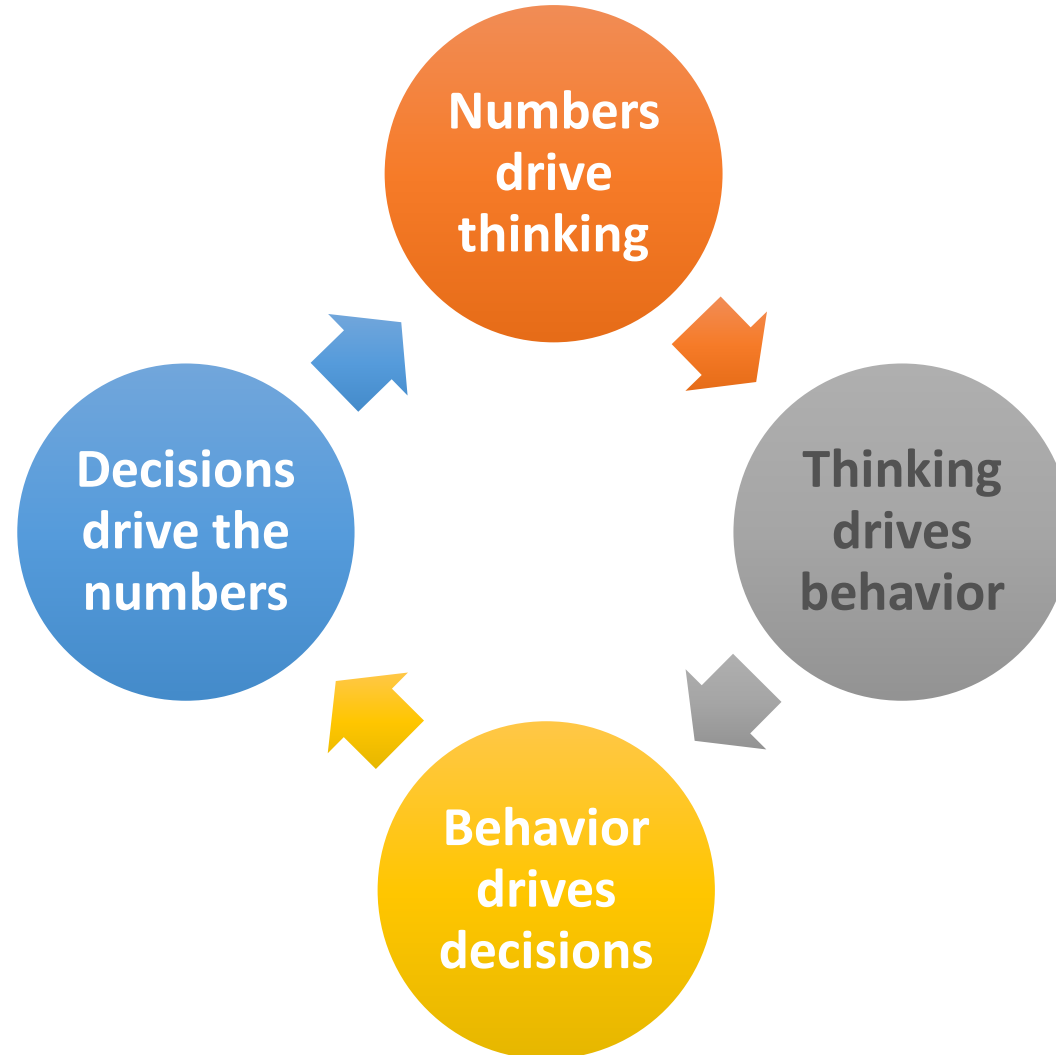
A-3

- identify problems/issues and prioritize

Assessment

- BMA assessment forms

Wrap Up



Learning Opportunities



www.maskell.com

- join mailing list for event announcements
- blogs, videos, recorded webinars
- free assessments

contact Nick:

nkatko@maskell.com

859-608-0683

Lean Accounting Community Chat

Tuesdays 11:00 am Eastern time

Free, but please register:

<https://www.eventbrite.com/e/101062201766>