



Is Lean applicable to the finance department?

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Is Lean applicable to finance? Yes! Let me explain. Lean is often mistaken as belonging only on the factory floor. But when you can apply Lean everywhere, you're creating value for the customer. The problem is that we don't often think of our finance departments as creating value for our customers.

I often tell my manufacturing clients that about half of their orders are late before they ever start on the production floor. There is so much muda (waste) in all of the processes that go before production ever starts, that start dates are rolled back, inventory doesn't get ordered in time (much less "just in time"), and once production starts late, that delay is propagated throughout the production schedule.

People often think of Lean as belonging to the factory floor because that's where it's easy for the untrained eye to see waste. Unfortunately, they are only looking at waste in the loosest sense of the term. If they see a pile of unwanted material, that's waste. If they see an obvious blockage or bottleneck, that's waste. But what about when it's not as obvious to the untrained eye?

That's where having a value stream mapping session that truly includes the whole value stream comes in really handy. Look at the back-and-forth discussions between yourselves and suppliers, between you and customers and between your departments. Do you have standard work for any of this? Or does your sales department make a call or write an email and then wait for a reply? Is there a checklist for followups? I can't tell you the number of times I've heard, "But I sent them an email and never heard back from them!"

In one manufacturer of large

transformers, we discovered that more than 60 per cent of the time that an order was late, it was because it started off late in the front office. When we did the value stream map for the entire value stream, we found that more than 80 per cent of the time that the office took was waste. When we introduced standard work in this setting, the waste disappeared, orders started to ship on time, and we were able to trim the office staff by attrition and early retirements. No one lost a job.

In another company, we found that once we had applied Lean and some 5S to the production floor, they made significant gains in their rework, their cycle time and their ROI. We then did Lean in the office, and the finance department looked at how they were communicating between the office and the floor. What we discovered was that the customer orders were mixed up when they came in, they weren't communicated well with anyone, and the finance department wasn't setting up the orders right to begin with. So the orders would start in a haphazard way — there was no queuing; no first in, first out; no allocation of the order based on delivery date; and so on. We introduced standard work, simple checklists and other simple Lean tools to remedy this situation. The result is that now they have a simple visual system to look at the status of any order, they build in order of the delivery dates, they have better communications at all levels, and now the office shares the same successes as the plant floor!

In my last example, there was a complete divorce between the production half and the sales/finance half of the business. The one hand didn't know what the other was doing. This was a new facility and their largest extruder was

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not working. Production knew this, but the sales department did not. As a consequence (and because the margins were greater on the larger extruder), sales and finance were closing deals that were profitable (on paper) but could not be delivered until the issues were settled with the large extruder. We brought the production, sales and finance people in for a value stream mapping session, indicated the strengths and weaknesses, outlined remedial actions, and brought everyone to the gemba (the place where work happens). It might not sound like we did a lot, but it was real work getting the office, sales and finance staff out of their offices and off the road to look at the gemba! And as soon as we did that, things started to improve. All of the parties were working together. The sales and finance teams co-ordinated with the production people. We developed a simple visual system for their entire system. It let everyone see at a glance where the orders were, where the production capacity was, and which orders were ready for shipment.

The take away from these stories is that Lean isn't just for the factory floor. It's for everywhere. Lean is excellent for reducing waste and increasing flow. It takes a little bit of time to see where waste can be reduced and flow improved in finance, but with practice it will become easier. Look for multiple handoffs, multiple back-and-forths, lack of one-piece flow, interruptions to flow, customers (internal or external)

kept waiting, places where there is a constraint, bottleneck or blockage, or any other waste. For these, I like to use the acronym DOWNTIME: Defects, Over-production, Waiting, Non-utilized staff creativity, Transportation, Inventories, Movement and Excessive processing.

Question from the floor...

QUESTION: We've had several starts with Lean and Lean-like methods. They all started off well, but then they dropped off. We're considering starting Lean again. What advice can you give about making it stick this time?

ANSWER: I'll try to keep this short. Do you know why the other approaches failed? Was it because they were pitched as projects, each with a start and end date? Was it because the people attached to the initiatives were redeployed, leaving no one as champion? Did you have Lean boards where employees put up their Lean suggestions? Did the enthusiasm simply drop off? Did you keep people engaged and have showcases where people could present their Lean suggestions? Did you make it fun as opposed to drudgery? Look back over what happened and then learn from your mistakes. That's being Lean. Don't make the same ones going forward. Mistakes are all right as long as you learn from them. Make this point to the people that might be a little disillusioned. That was then, this is now.

It's important to realize that even though you may have had Lean or Lean-like overtures in the past, it's going forward that is what it's all about. Now I'm not being flippant when I say that you've got to make it fun as well as serious. Have a kaizen-off! Have divisions present their best kaizens (continuous improvement suggestions) and applaud the winner. It doesn't have to be anything serious, just keep it light-hearted. Celebrate your successes. I once gave away coffee cups that said, "I survived Lean training!" with a pouch of really good coffee. I had people all sign a simple piece of flip chart paper that said pretty much the same thing, and then we took a group photo. Celebrations don't need to be expensive, just meaningful! 🍁

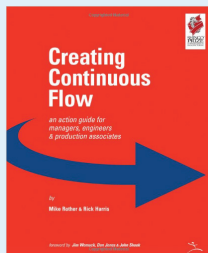
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From the bookshelf...

Creating Continuous Flow by Mike Rother and Rick Harris

I always like to read books that have been nominated for or won the Shingo Prize. Not only did this book win the Shingo Prize in 2003, but one of the authors (Mike Rother) was responsible for *The Toyota Kata*, a book I recommend to my clients who are well along in their Lean journey, as well as those who aren't. This is a short book, and its brevity definitely leaves some things out. But it does do a very good job of showing how you can achieve true continuous flow at your critical pacemaker processes. In this regard, it's much more of a hands-on book than *Learning to See* from Rother and Shook.

This workbook explains in simple, step-by-step terms how to introduce and sustain Lean flows of material and information.



Importantly, it will show you how to do this in pacemaker cells and lines. This is centrally important to achieving a Lean value stream. Now it doesn't do a very good job of helping you to ask, "Who owns this value stream?" or other critical questions, but that really isn't the point of this short book.

There is much more detail about how to implement in-cell improvements. I would argue that you are not really doing Lean until you start doing what this book teaches. You should be able to start applying the principles in this book immediately. Lastly, I like this book precisely because it cuts to the quick. I find that many authors of Lean books are in a hurry to impress you with how much they know, and this adds fluff when I'm looking for content.