

**Volume 11, Issue 42 ☐ October 18, 2004***Important Dates to add to your calendar...*

- ☐ **Oct 18-22: 2004 AME “20<sup>th</sup> Anniversary” International Lean Conference in Cincinnati.** *“Focus on Global Enterprise Excellence”* This will be held concurrently with the [Advanced Mfg & Productivity Exposition](#). Free to attendees. **176 Canadians attending.** Check: [www.ame.org](http://www.ame.org)

- ☐ **Oct 27<sup>th</sup> NEXT LEAN ACCOUNTING STEP: Solving the Standard Costing Problem**  
The Lean way to think about costing. Ask Nicole at 519-893-6260 for an outline. [www.hpmconsortium.com](http://www.hpmconsortium.com)
- ☐ **Oct 28<sup>th</sup> NEXT LEAN ACCOUNTING STEP: Strategic Performance Measurement for Lean Manufacturing** A “Starter Set” of performance measures linked to Lean goals. Ask Nicole at 519-893-6260 for an outline. [www.hpmconsortium.com](http://www.hpmconsortium.com)

- ☐ **Oct 24-Nov 9<sup>th</sup>, Fact-Finding China Tour – Innovation Insights**, NRC & CME provide a dramatic ‘up-close & personal’ look at the Chinese engine. [info@hpmconsortium.com](mailto:info@hpmconsortium.com).
- ☐ **Nov 3<sup>rd</sup> 8:00 - 4:30 HPM Share Showcase ’04.** Location: G.E. Meadowvale Theatre. Limited to HPM’ers who’ll ‘showcase’ their ‘Best Practices.’
- ☐ **Nov 18<sup>th</sup> HPM Forum: “Workplace Health, Safety & Wellness”** World Class performance demands a World Class environment. This will be a practitioner-to-practitioner exchange.
- ☐ **Dec 1<sup>st</sup> AME/HPM 8:00 to 5:00pm “Breaking the Safety Barrier: Implementing Culture Change”** Dr. Steven Simon. A 1-Day intense culture change workshop. Call AME: 905-681-3960.
- ☐ **Dec 6-7<sup>th</sup> The Lean Design Workshop** – 2-intense days with North America’s best Design & Project Management leader– **Ron Mascitelli**. His new book is included. Designed for those who need *more products faster*.
- ☐ **Dec 9<sup>th</sup> The Lean Accounting Roundtable – A frank exchange among implementers** that will help protect one’s investment in Lean strategies.
- ☐ **Jun 6-10 (2005): “Implementing & Sustaining Lean Thinking Across the Enterprise”** An AME major Practical Lean Conference in Edmonton. [www.measureupforsuccess.com](http://www.measureupforsuccess.com)

**“You are as professional as you think.  
As you think, you will act.  
Those who bring order into the chaos  
are the true professionals of the 21<sup>st</sup> Century  
– no matter what their station.”**

*This week, Dave is with 186 Canadians at the very large AME LEAN Conference in Cincinnati. For any Consortium questions contact Nicole at 519-893-6260.*

## Understanding Lean Accounting...

Here’s 2 workshops that give us access to the global leaders we can learn from... *Attendees from Denmark, the US, and Canada will be at Velcro Canada to hear directly from the top selling book: “Practical Lean Accounting – a proven system for measuring and managing the lean enterprise” ([www.ocapt.com](http://www.ocapt.com))*

If the change from Standard Accounting Principles to Lean Accounting that protects your Lean investments looks daunting – any discomfort is common.

That’s why Brian Maskell’s team is initiating opportunities to obtain a grass roots, fundamental understanding of the paradigm differences that make the pieces fall into place. The following two courses have been delivered internationally – and it is our hope that by flying in the leaders in this transition will help provide the thinking that will make the process changes make sense. For more detail click ‘events’ at [www.hpmconsortium.com](http://www.hpmconsortium.com).

### Solving the Standard Costing Problem... Wed., October 27, 2004

8:00 a.m. – 5:00 p.m. ~ Velcro Canada.

#### Overview

It has been observed that standard cost accounting stands in the way of implementing lean manufacturing. The most significant effect in this regard is the incentive to build inventory that is caused by the measurement of efficiency, and utilization of resources that underlies traditional manufacturing management.

Lean’s emphasis on making one-at-a-time is in direct conflict with mass production methods, and it’s not surprising that mass production measurements would create the wrong kinds of incentives for a lean mfg environment. Other negative effects relate to errors in product costing and pricing under conditions of significant excess capacity created by lean, a misplaced focus product cost rather than customer value and value stream profitability, and the high cost of maintaining the systems that create costing statistics.

This one-day course presents and develops a new way to think about costing in a lean environment. Starting with an exploration of the problem, it develops the costing methodology and rationale that are based upon flow through

the value stream, and shows how this approach supports the right incentives for a lean company, leads to better decisions, is easy to understand, and is simple and inexpensive to operate. At the end of the day, participants should be able to construct a value stream cost from their accounting and operating data, and take the first steps toward implementation.

### Course Outline

- What is the problem? Why a standard costing problem?
- What is value stream costing?
  - How it differs from standard costing
  - How to calculate value stream costs
  - How to calculate product costs using features and characteristics
- How to use value stream costs in making decisions (product rationalization, make or buy, order acceptance) and in valuing inventory.

How to develop an implementation plan

### Who Should Attend?

General Managers and presidents of lean companies, value stream managers, CFOs, controllers, cost accountants, operations managers, lean team members and others who use or develop costing information.

### Specific Learning Objectives

Upon completion of this one-day interactive session, participants will:

- Understand why std costing doesn't work in lean
- Understand the conditions under which value stream costing works
- Understand why value stream costing is better for a lean company
- Be able to calculate value stream costs for their firms
- Be able to identify product features and characteristics that affect cost and know how to apply these to develop product cost
- Know how to structure the evaluation of alternative org. & costing frameworks to support value stream costing.

### Prerequisites

**Familiarity with the principles of Lean Accounting.**

**Participants should ideally have participated in previous introductory Lean Accounting sessions.**

### About Your Facilitator

Bruce Baggaley is a senior partner in BMA, Inc., specializing in the development and implementation of management processes that incorporate Lean Accounting and lean performance management systems. His functional expertise includes the development of management information for operational and financial planning and control, in implementing financial accounting control systems, and in applying activity-based management principles to reengineering operating processes. He has extensive experience in aerospace and defense, public utility, telecommunications, semiconductor manufacturing and service industries.

Prior to forming his own firm, Bruce was an Accounting and Audit partner at KPMG responsible for strategic planning for the firm, and a managing associate in the management controls consulting practice of Coopers & Lybrand in New

**Last Call: Share Showcase is taking shape – Nov. 3<sup>rd</sup>. at GE HQ in Mississauga. If you are late filing – please call Nicole today!**

York, and was a Professional Accounting Fellow at the Securities & Exchange Commission. He is the co-author of the recently-published book, "Practical Lean Accounting," published by Productivity Press. Copies of the book may be obtained through the publisher's website, [www.productivitypress.com](http://www.productivitypress.com), or through [www.amazon.com](http://www.amazon.com).

**Program Cost: HPM Member rate: \$775.00 + GST**

### Strategic Performance Measurement for Lean Mfg...

**Thursday, October 28th, 2004**

8:00 a.m. – 5:00 p.m. ~ Velcro Canada, Brampton

**Non-member rate: \$895.00 + GST ...** Includes continental breakfasts, lunches, refreshments and all materials. Send 4 the 5<sup>th</sup> person comes free.

### Overview

This course builds on the theme of Lean Accounting that traditional performance measures cannot work in a lean plant for the simple reason that they were to support the methods of traditional manufacturing, building large batches to achieve economies of scale. Since Lean's aim is to make things one at a time, and you get what you measure, the old measures have to go. If that is the case, then what should be measured? Answering this question is the purpose of this important course.

The course takes the approach of providing participants with what we call a "Starter Set" of performance measures. The starter set is a hierarchy of performance measures for the lean cell, value stream and plant that are linked to the goals of the lean company at each of these levels. The measures were developed with the typical lean company in mind, and they have been found to work in most companies as they are. But most companies will want to prove them out by linking them to their own strategies and goals and adapting them accordingly. Consequently, a good amount of time is spent teaching how to link the measures to company value stream and cell strategies and goals as well as teaching the performance measures themselves. As a whole this course provides the lean practitioner with a valuable set of tools for managing the lean company at every level.

### Course Outline

- What's the problem with current performance measures?
- How do traditional measures differ from those required to run a lean company?
- **Discussion**—your measurement problems?

- What measures can support lean: The “Starter Set” at Cell, Value Stream, Plant, or Company level
- **Discussion**—how well do these measures support your lean factory?
  - What would have to be changed?
  - What problems would arise from eliminating existing measures?
  - How to modify the Starter Set
  - How measures link to strategies and goals
  - Sharpening the linkage through definition of critical success factors
  - How the Starter Set was developed
  - **Exercise:** Developing a “Starter Set”: for your firm
  - Implementing the performance measures in your plant—developing a plan

### Who Should Attend?

General Managers and presidents of lean companies, value stream managers, CFOs, controllers, cost accountants, operations managers, lean team members and others who develop and use operations performance measures.

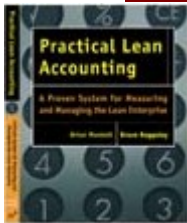
### Specific Learning Objectives

Upon completion of this interactive session, participants will:

- Understand the ways in which traditional measures inhibit lean
- Have a starter set of performance measures that support lean at plant, value stream and cell levels
- Know how to modify the starter set to support the company's strategies, objectives and goals
- Have a set of measures that they can implement now to drive their lean strategies in their plants

**Prerequisites & Rates are the same for this course.**

**NEW: Practical lean accounting: a proven system for measuring and managing the lean enterprise** / Brian Maskell and Bruce Baggaley. New York, NY : Productivity Press, c2004.



As companies move ahead with the implementation of lean production, financial functions often lag behind. When this happens, not only do they fail to actively support the effort, but they can actually hinder it. In **Practical Lean Accounting: A Proven System for Measuring and Managing the Lean Enterprise**, authors Brian Maskell and Bruce Baggaley **present a step-by-step method for transforming a manufacturing company's financial functions to support lean manufacturing.** The authors' step-by-step method transforms the accounting system to follow the company's pathway through lean implementation covering what needs to be done at each stage to support lean.

A case study runs throughout the text illustrating the lean accounting transformation within the context of the whole lean enterprise. A CD-ROM is included containing detailed forms, charts, and diagrams supporting the transformation to lean accounting. On [www.amazon.com](http://www.amazon.com).

**“Activity & motion fuel the illusion of progress. In truth, they often cleverly hide the wrongness of the direction.”**

## Workforce Ownership... *it all begins with involvement*

*(Thanks to LLEAN Newsletter – Edited by our Mate Gary Kerr)*

Here are some ideas to help your organization begin to involve – or engage – workers. It's the foundation of lean manufacturing:

1. How employees feel about their work and their relation to work is as important as any benefits that come with lean manufacturing. Recognize the power of engaging everyone in the improvement process. In reality there is no other way to convey a feeling of 'ownership' to another human being than by involvement.

2. Team members alone cannot make the improvements necessary to reduce waste and improve quality. They need the support and participation from the leaders of the support functions to address quality, material, etc. Always start by educating leadership on the company's vision and expectations.

3. Your current work environment is largely the result of company history and previous and current leader's attitudes and approaches to involving people in the business. We recommend the change model outlined in John Kotter's **Leading Change1** as an approach to the change process.

4. A good tactic is to keep team members focused on improving THEIR OWN operations by removing waste, establishing standards, and improving communication. This approach helps reduce the normal frustration levels associated with improvement activities. Yes, upstream processes such as design, planning and program management can create the waste seen in operations, but begin by improving where the value is added.

5. Structural Support. A common misreading of lean mfg implementation lies in the organizational support needed for continuous improvement and shop-floor teams and team members. For example, teams that participate and solve their own problems are a hallmark of competitive operations. These teams need support to succeed. What's needed? Tradesmen to occasionally attend a meeting and solve a technical piece of a problem, a trainer to teach the team leader how to conduct an effective meeting, a supervisor who encourages the team to tackle a problem and authorizes pizza for a lunch problem solving meeting, and on and on.