

Who Should Lead the Implementation of Lean Strategy?

*Become a least cost producer with
world class Quality & Delivery*



Key to the future Survival

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.

– Sir Winston Churchill



Lean Kaizen Business Consulting
"Implementation is the Key"



Who Will Lead Lean Strategy Implementation – the CEO, the CFO or Both?

The answer is simple. The implementation has to be led by both the CEO and the CFO. There will be certain aspects of the strategy that will have to be handled by the CEO while others will have to be handled by the CFO, but there will be many aspects where both the CEO and the CFO have to function as a team to ensure that the lean production system, daily management and lean accounting tools are implemented together smoothly.

The CFO's Role in Implementation of Lean Accounting

01

The CFO and his team are the enterprise behind the funds in a company, and they grind at their job to ensure that business operations do not surpass budget and keep different regulators at bay through timely compliances.

02

The CFO's role is no longer circumscribed to financial planning; instead, it has evolved into that of a key strategic player. The finance team is the catalyst to bring a culture change and warrant successful implementation of '*lean business strategy*'.

03

The change has to begin by '*discontinuation of standard costing*' and a switch to value stream-based costing. Inventory is where the evil of standard costing exists along with time wasted in computing standard costs, collecting and reporting actual costs, analyzing variances and holding budget review meetings.

04

The CFO must explain to the operations managers that instead of machines and manpower utilization, it is more important to focus on '*flow*', which means customers get the products in required quantity as fast as possible without overproduction or sales loss.

05

If the machines or manpower is idle, it is the responsibility of sales and marketing to procure more business or expedite new product development. The lean CFO must prepare the stakeholders about decline in profits in the initial journey of lean due to reduction in inventory and explain how it will be beneficial in the long run.

The CFO's Role in Implementation of Lean Accounting

06

He will need to partner with value stream managers to design the value stream map and identify waste and non-value adding activities.

07

Since the CFO has expertise in developing performance measurements, he will be responsible for '*creation of a performance measurement system*' that measures and manages flow of the value stream with focus on economic drivers of financial success in a lean company.

08

The current pricing mechanism for product costs should be replaced with the new cost structure as per value stream costing.

09

The CFO and his team should 'embrace new technology' to bring in automation in book-keeping, data collection and use of lean ERP platforms. This will release their non-value adding time for business partnering and gemba walk and give better insights into business problems and improvement opportunities.

10

The new reporting structure designed by the CFO on basis of lean tools should give adequate insights to the CEO for strategic decision-making

The CFO's Role in Implementation of Lean Accounting

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Initially, the CFO may release traditional P&L statement along with lean accounting-based P&L statement every month till the time the management adapts to the simple, clear and value stream-based P&L generated under lean accounting.

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The CFO has to impart knowledge regarding interpretation of the new P&L to the management as well as value stream and functional managers so that it can be made useful for taking significant business decisions.

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Everyone thinks the right place to start implementation of the lean production system in the company is on the plant floor but the right place to start is the finance function with CFO as the team leader.

14

The lean CFO has to *lead the way for a lean CEO*, not only in the financial field but also in the operational and support functions. He will monitor the progress of continuous improvements and their impact on operational processes.

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The ERP system under standard costing obstructs the flow of material, information and funds because of unnecessary transactions like review, approvals and reporting. The lean CFO should use the '*Lean ERP*' platform to *reduce transactions* that will make analysis and flow of work easier.