

LEAN MANAGEMENT, WHEN THE PENNY COUNTS, AGAIN!

Traditionally, in order for an organization to get the profit desired it would raise the price of its services ($\text{Price} = \text{Cost} + \text{Profit}$). In today's business environment that is not always possible, you need to be more efficient. Lean Management, however, assumes that the price cannot be adjusted, so to increase profits, it has to cut its costs ($\text{Profit} = \text{Price} - \text{Cost}$). Through elimination or minimizing wastes, Lean Management cuts costs.

Lean Management is a way of believing, to do more with less. It changes the process making it more efficient through workflow improvement, elimination of waste, and faster delivery of value to customers. Its goal is to consistently provide the right service, the right way, in the right amount, and on time, meeting customer demand. Through its implementation, an organization will become more profitable.

When Lean concepts were first introduced, they evolved around manufacturing. Jeffrey K. Liker, Ph. D., author of "The Toyota Way," states that Toyota was the first to introduce a system that cuts out waste from the process. Toyota invented the concept in the 1950s and has spent decades perfecting it. Today, Lean Management concepts, at first invented for manufacturing companies is applied to office and service environments, getting the same results.

Lean Management is carried out in phases on a business segments basis, from starting to end, not on a company wide basis. First is choosing the process to evaluate, all activities involved in producing the end service. Second, choose the team members and expert advisor to mentor the team. Third, team and employees learn about Lean Management. Fourth, go and see; a detailed process walk-through is performed in the environment. Fifth, prepare the current state map, accurate portrayal of how things are being done, which helps understand the process and makes it easier to identify wastes. Sixth, identify wastes, having a clear understanding of what they are. Seventh, prepare a Lean Management assessment, identify specific areas to be improved. Eighth, perform catchball, whoever initiates an idea communicates it to support team for feedback. Ninth, pull don't push. Push is what organizations traditionally do, senior management sets up procedures and everybody down the line must follow them, even if the process could be perform in a better way, raising resistance. Pull entails pulling employees in active participation because they are more familiarized with the process, giving them the opportunity to voice their opinion and recommendations; you involve them in the solution. Tenth, prepare the future state map, portrayal of the new process after the elimination or minimizing of wastes and inclusion of recommendations. Eleventh, create work plans. Twelfth, put work plans into effect.

Wastes are disruptions and add no value to the service. There are four categories: operational, information, asset, and leadership wastes. Operational wastes are comprised of people and process wastes. People wastes occur when personnel are sub-utilized. Process wastes occur when processes are not designed as the best practice. Information wastes occur when useless or incomplete information and processes are

employed. Asset wastes occur when work or properties are not properly used. Leadership wastes occur when productivity is affected due to a lack of focus, structure, discipline, and ownership.

After the new Lean Management process is in effect, scorecard metrics should be established. They are few critical parameters that track the organization's movement toward its long-term goals. Improvement goals should be quantifiable, communicated, tracked, and results informed to senior management.

Torres CPA Group has been involved in mentoring and implementing the Lean Management philosophy in the business community in Puerto Rico. Some benefits due to the implementations were a rise in the efficiency of processes, expansion in revenue opportunities, increase in assets/resources utilization, improvement in cost structure, improvement in customer satisfaction, and major market penetration and profits.

To keep doing business each penny counts and waste needs to be cut out, Lean Management is one of the best tools to help. You decide if the penny stays in your pocket or it ends in another's pocket.

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