



Lean Accounting SIG: What are we up to at Myers Container?

Lean accounting is all about getting the right information to the right people. As businesses change with Lean it becomes important for accounting to change with lean. Traditional department based reporting becomes less relevant as more and more Lean companies adopt a value-stream based organizational structure.

In order to undergo such a daunting task, the Lean Accounting SIG was formed to help NWHPEC members understand and implement this hazy subject. Ask ten people for what lean accounting is and you will get ten responses. Thus it was up to the SIG to help clarify what lean accounting was all about.

For the SIG’s inaugural meeting, we met to lay out the framework. First off we decided on the mission of the Lean Accounting SIG “to help a company transform their traditional accounting system to a participative and proactive system that helps all levels of the organization make correct decisions, drive continuous improvement and support the company’s mission.”

Step two became figuring out what to do. We decided to create the Monthly Waste Summary Sheet, which is currently an Excel based system designed to capture how much waste a plant is generating. As a trial run, this project is running for six months at a Myers Container plant so that the SIG could have a live sandbox to play in.

Fig 1 shows the summary page. A decision maker would go to this page and look at each category to make a decision on where to focus plant resources. These numbers are monthly.

Fig 1

Category of Waste	\$ Value of Waste
Not Staffed to Pc/T	\$25,920.00
Downtime-Setup	\$6,450.00
Downtime-Breaks	\$6,333.33
Scrap	\$8,729.00
Space Wasted	\$3,983.70
Sales NVA Time	\$3,875.00
Overtime	\$1,789.50
Downtime-Breakdowns	\$3,750.00
Re-paint	\$904.95
WIP	\$609.90
Returned Goods	\$0.00
Total	\$62,345.39

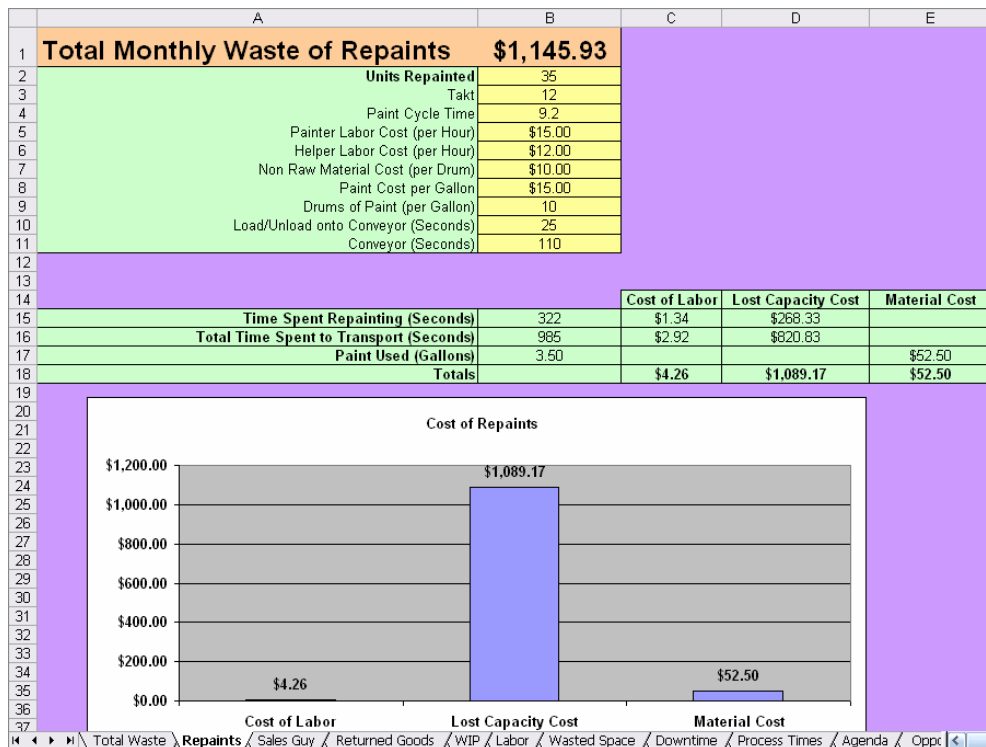


Category of Waste: We created the categories of waste based on the 8 wastes (re-work, excess motion, excessive inventory, over production, transportation, over processing, waiting, and not fully utilizing staff). Most of the categories have their own spreadsheet to explain the assumptions behind each number.

\$ Value of Waste: This is the numerical explanation behind each category of waste. We quantify each number based on a series of assumptions built into each category.

At the very top of each spreadsheet is a total waste cost that is carried forward to the summary page. Below that total are the assumptions built into calculating the total waste of repainting. Every spreadsheet has the same formatting where the yellow cells represent data entry and the green represent calculated or fixed data entry. An example using re-paints is shown below.

Fig 2



Kyle Stavig, President of Myers Container, remarks, “We finally have a vehicle for all stakeholders to discuss how accounting effects the operations of the company - it is a two way street not just an accounting push. We now have a tool that tells us what we are capable of doing rather than guessing whether our results are peak, mediocre or lackluster. The plant managers love the tool to demonstrate what they "need" to do next rather than doing what they "can" or "want" to do. The discussion now changes to "what would it take to reduce the waste?"

Now the Lean Accounting SIG is looking into new areas to explore. We are beginning to look at some of the things Brian Maskell, the Lean Accounting Guru, works on such as Value Stream Costing and simplifying accounting reports to match a lean environment.

Please go to www.nwhpec.org for more information on the Lean Accounting SIG