



# R&R Newsletter

## Reducing Risk/Removing Waste

ISO Support Group

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An ISO 9001:2000  
Registered Company

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### LEAN JOURNEY...

Strategy 1:

- Isolate the Value Stream

Strategy 2:

- Specifying Value

Strategy 3:

- Mapping the Value Stream

Strategy 4:

- Making the Stream Flow

Strategy 5:

- Letting Customers Pull Value

Strategy 6:

- Seeking Perfection

### CAN LEAN HELP?

Want to know if Lean applies to your business?

Read about our Lean Assessment Service

[HERE](#)



VISA & MasterCard  
accepted!

### Removing Waste:

In this Issue under the heading *Removing Waste* I'll be covering the topic of **Lean Operations – Example: Lean Accounting (J. Solomon)**

**The following is a brief overview of a Lean implementation story:**

**Jerry Solomon is the author of the Shingo Prize-winning book, "Who's Counting,"** and VP of Operations for MarquipWardUnited in Hunt Valley, MD, a leading manufacturer of high-speed equipment for the worldwide corrugated paperboard and folding carton industry. Lean accounting cost management, what people refer to as "lean accounting," is a different way of accounting for operations within manufacturing and service companies. Traditional accounting is a foreign language to the folks on the front lines who have to use the information to improve. How can they improve something if they don't understand it?

**If you go to a football game,** you always know the score, how much time is left in the game, and what yard line you're on. Imagine if you went to a game and you didn't know any of those things. It would be pretty frustrating. In comparison, that's what traditional accounting provides the folks who have to use the information. They don't know the score; they don't know where they are; and they don't clearly understand the goals... yet we give them numbers at the end of the month and tell them to make them better.

**At MarquipWardUnited,** we want people to understand how to keep score. We use a format we call the "box score." We determine the operational elements in the value stream that we want to track. Those are shown in the top half of the scorecard. In the bottom half we show financial performance. This includes the usual things such as sales per employee, inventory turns, variable margin, and gross margin. Operational items are shown on top because we feel that's where people have to focus. If they improve the operational part of the scorecard, the financial part will get better. The flip side is, if we're making improvements on the operational side and the financial picture isn't getting better, we know we picked the wrong operational parameters.

**We changed the format of our income statements.** We made them simple. For each value stream, all of the payroll expense is in one bucket called processing costs. There is another bucket for all of our variable costs. We exclude elements outside the value stream, like property taxes or insurance. We feel the scorecard helps people understand the business and see the fruits of their efforts through better results. People want to know what they can do to make the business better, and link what they do to the financial results. Many things happen when people work as a team, questioning everything, and understanding the cost of everything. You then get an engaged & entrepreneurial team, improving operations.

**To view more information on this example (and others)...** you can visit our Newsletter page at our website to view the complete article:

[www.isosupport.com/newsletters/newsletters.htm](http://www.isosupport.com/newsletters/newsletters.htm)

PS: Don't forget to look at the Q&A section of this Newsletter for some final thoughts on this Lean implementation example.

## **PUBLICATIONS**

Click [HERE](#) to learn more about the manuals & books that we've recently published:

- ISO 14001:2004 Environmental Manuals
- "The 3 Biggest Mistakes People Make with ISO 9001"
- "ISO 14001: Learn what's driving its double digit growth!"

## **TRAINING:**

- Process/Value Stream Mapping
- Lean Essentials/Kaizen
- Business Modeling and Performance Measure'ts
- Root Cause Analysis and Corrective Action
- Mistake Proofing
- Continual Process Improvement
- Strategic/Business Planning
- Malcolm Baldrige Training
- Privacy Program Training (PIPEDA)

**\*\*View [agendas](#) at our website\*\***

**Email Tim.. [HERE](#)**

**For more information on training provided by ISG on Process Improvement/Lean (Manufacturing/Office)**, please visit our website at [www.isosupport.com](http://www.isosupport.com). Once there, you will also find information about the following:

### **"Process Improvement/Lean Assessment: Can Lean help you?"**

If you want to find out if Lean applies to your business, visit our website and read about our Lean Assessment Service by going to:

[http://www.isosupport.com/services/lean/srvcs\\_pi\\_lean.htm](http://www.isosupport.com/services/lean/srvcs_pi_lean.htm)

### **"The 3 Biggest Mistakes People Make with ISO 9001"; ISO 9001:2000 Tips, Tools and Techniques**

Click here: <http://www.isosupport.com/books/books.htm>

If you enjoyed reading our previous ISO Newsletters you'll find that this book contains many of the practical approaches and advice that I've discussed in these Newsletters over the past 5 years.

### **Q: What are the "lessons learned" from this example?**

**A:** Here's Jerry Solomon's advice on implementing Lean Accounting...

- I tell accounting people to get involved, understand what is going on in the frontlines, and make accounting changes to support it. In so doing, you learn a lot more about the product, how it was produced, and its actual costs. It's an enlightening experience.
- An obstacle he's run across is... "Our auditors won't accept it." Yet there are a lot of world-class companies being audited by the Big 4 accounting firms, including Toyota. Auditors will accept lean accounting. The key is to get your auditing firm involved early, explaining what you're doing, and educating them along the way.
- People often don't want to change; we have to make them realize that change is how companies will be able to compete effectively in the global economy. So my advice for accountants is to stop looking at why we can't do it and start looking at why we must do it. Without the information lean cost management provides the operations folks, we can't continually reduce costs... and it's a sure bet our competitors will not idly stand by as we contemplate whether or not to change.

**Until next time...**

**Tim Renaud**

### **Helping Business Professionals Reduce Risk and Remove Waste!**

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Tim Renaud, P.Eng., B.A.Sc., is a senior trainer and consultant with the ISO Support Group. His business experience covers over twenty-two years with both small and large organizations within various industries. He began consulting in 1992 and achieved ISO 9001 Registration for ISO Support Group in Oct/1998. Specific areas of expertise include training and consulting on installing ISO Management Systems, as well as implementing Process Improvement Strategies, always with a focus on reducing risk and removing waste (becoming Lean). Association memberships include the American Society for Quality (ASQ) and the Professional Engineers Ontario (PEO).