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MID-IOWA BUSINESS

An introduction to Lean

The state of the U.S. auto industry has certainly been a topic of national discussion since executives from the big three automakers lobbied Congress for a healthy cut of federal bailout funds. Ample blame for the industry's overall lack of competitiveness rightfully rests with both company and union leaders, who contributed to a number of issues.



RICK BRIMEYER

One significant factor that has been evolving for more than half a century is a major philosophical difference between U.S. automakers and their Japanese counterparts regarding the best way to address the complex task of assembling and procuring the thousands of components that make up an automobile. The philosophy defined by Toyota and later emulated by thousands of other companies worldwide (including U.S. automakers to varying degrees) is commonly referred to as Lean.

Simply put, Lean focuses on continually striving to reduce the amount of time from customer order to shipment by eliminating the waste in processes. Lean views production from a birds-eye view to understand the waste between subsequent suppliers and processes in the entire supply chain from the steel mill to the dealer's lot. Lean is the epitome of the old adage of working smarter, not faster, since the majority of waste tends to collect between process steps.

Traditional management meanwhile, spurred on by outdated business school practices and cost accounting methods, focused on optimizing individual operations, typically at the expense of the whole. While on the surface it would appear that a machine that can produce 1,000 parts per hour results in much lower costs than a machine that produces 100 parts per hour; this is only the case if every step in the process operates at the higher rate and, most importantly, there are customer orders available to use 1,000 parts per hour. For example, I wouldn't pay a huge premium for a washing machine with a three-minute cycle

because my accompanying dryer still has a 30-minute cycle. The faster washer simply would result in inventory awaiting the dryer. Furthermore, as empty nesters, my wife and I simply don't have the laundry demands to justify the premium.

In addition to lower cost, reducing lead time ultimately results in higher quality since defects are discovered and resolved quicker. Perhaps most importantly, customers are happy since products are delivered sooner. Toyota put the icing on the cake by developing a work environment where employees were encouraged and expected to use their brains in addition to their brawn.

Toyota's philosophy permeated its entire supply chain and, ultimately, a significant portion of the Japanese economy. U.S. automakers started to recognize and attempt to imitate the Lean philosophy in the 1980s, but by then their Japanese competitors had a 20- or 30-year head start. Toyota (not to mention Honda and Nissan by this time) had already expanded Lean concepts from their factories to their offices by incorporating Lean methods into engineering, marketing and other business functions. This resulted in their ability to more quickly and accurately assess the direction of the market, as well as design and tool products that meet those needs. The coup de grace may very well be their proven ability to apply Lean techniques to competitively build several models on U.S. soil, using U.S. workers.

If there is a silver lining to this story, it's that the lessons learned by U.S. automakers are being noted by other industries. Lean practices are finding their way into practically every niche of our economy, including health care, finance, printing and, most recently, government. (I plan to devote a column to Lean Government after June when the State of Iowa will host the Lean Government Exchange). Universities have added courses on Lean for engineers and business students.

If your business or organization has yet to explore how Lean fits into its strategic plans, it's time to get moving. Competitive and budgetary pressures are not going away.

Rick Brimeyer is the Iowa division manager for PDG, a business consulting firm in Story City.