

Steve Kula, Executive Director, Finance, Strategy, and Planning, Appleton Ideas

Appleton Papers Inc., in Appleton, WI, is a fairly typical manufacturing company when it comes to financial reporting and its budgeting process. But since applying LeanSigma® to its manufacturing operations with excellent results, the company decided that it was time to implement lean in its financial processes as well, and a good place to start was with the company's Annual Operating Plan (AOP).

To facilitate this process, the company conducted a business process kaizen event for the AOP. Traditionally, each division would prepare an AOP presentation for CEO Council review. Once council review was complete, the divisional AOP presentations, along with a total company consolidated AOP presentation would be sent to the board of directors for their review and final approval at a late year-end board meeting.

The typical AOP process was lengthy, requiring a start date in August in order to have all reviews and approvals (both internal and at the board level) completed by the end of the fiscal year. This meant that the divisions were using just seven months of current-year data and forecasting the last five months of the year in order to prepare budget projections for the following year. Once the process started, changes and adjustments inevitably were required as time passed during the review process and new information became available.

The objectives of the AOP BPK event were as follows:

- Determine content requirements for CEO Council and Board presentations
- Determine timeframe requirements between the CEO Council presentation and Board presentation
- Determine corporate finance requirements
- Establish a consistent and standard process for all divisions

One of the first things the event team did was to determine who the customers of the AOP process were. Customers included the board of directors, divisional presidents/general managers and their direct reports, the CEO Council, the corporate finance

function, and the executive administrative staff. The needs of each of these customers would be taken into consideration when standardizing the presentation format.

Historically, the lead time from the first CEO Council presentation to presentation to the board was six weeks. The number of loopbacks was estimated at 78, due to nonstandard content and formats among the divisions, which added significant time to the process.

To reduce these two major causes of waste, the team proposed eliminating the "dry run" of the divisional AOP presentations to CEO Council presentation, which would allow a later start date and save management team time. A later start date also meant that the divisions could take advantage of using nine months of actual financial data, needing to forecast just the last three months (9 + 3 versus the old 7 + 5). A shorter forecast timeframe, coupled with a longer data acquisition timeframe, would allow for more accurate budget projections while also eliminating changes that were being made to the presentations as additional actual monthly data became available during the review period.

To eliminate loopbacks, the team decided to standardize the report format and process for all divisions, which would make for easier board review and reduce the risk of errors. The team established a shared computer network structure on a central drive for direct input of data by each division.

These simple changes allowed the company to trim the reporting process by two full weeks, a 33 percent improvement over the previous year. Preparation time in staff hours dropped from 832 to 240, a reduction of 71 percent. Loopbacks dropped from 78 to 18, for a savings of 77 percent. The total monetary savings, in staff time and paper reduction, was \$44,000.

The end result was that everyone was much happier with the 2008 AOP process. The standardized process and formats allowed the 2008 budget to be finalized in a single iteration, which was a huge timesaver for everyone involved. (Continued on next page)



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In sharing their lessons learned from this process, the event team noted the following positive aspects were critical to the success of the kaizen:

- Diversity and expertise of team members
- Open and honest participation
- Appropriately defined scope
- Sub-teams—useful for dividing and conquering the kaizen workload
- Day-1 training—essential for team building and alignment
- Effective facilitation

The team also noted that the process could have worked even better if the following items had been considered and addressed in advance:

- Accessibility of stakeholders during the kaizen week
- Ensuring kaizen team members realize that this is a full week commitment
- Team members need to be allowed to participate without interruptions
- Kaizen support must be communicated throughout the organization

- Additional support resources need to be readily available

The AOP BPK team proved that it is possible to implement lean concepts for the financial reporting and budgeting processes in an organization, to the benefit of all. The benefits realized from the AOP process were also implemented for the company's quarterly business review process. If you haven't considered applying LeanSigma to your financial operations, now is the time to do so. ■

NEWSNOTE

TBM Partners with Catalyst Business Systems

As part of our ongoing strategic commitment to improve our consulting services, TBM continually seeks new ways to help guide our clients through the evolving challenges of a more demanding business landscape. To that end, we are pleased to announce our partnership with Catalyst Business Systems—a lean consulting firm also based in North Carolina. Catalyst is perhaps best known for its technology solutions for lean transformations, bringing significant savings in cost and effort to organizations embarking on, or fully vested in, the lean journey.

These solutions simplify and reduce the administrative pain associated with the execution of strategy initiatives and enterprise metric tracking within any organization, while at the same time driving greater levels of accountability and transparency throughout an organization. We are pleased to offer the following modules to our current and future clients:

1. Strategic Initiatives—Following the roots of the Hoshin Kanri process, this application includes the integrated components of the x-matrix, metric tracking, action plans, and countermeasures. Additional features such as daily management dash boarding, date-change reporting, resource loading ,and roll up/down reporting drives the organization to address strategic initiatives as a daily management activity rather than a monthly or yearly event.
2. Stand-alone enterprise metric tracking—Every organization needs to keep tabs on critical metrics. The metric enterprise tracking module allows for daily, weekly, monthly, and/or quarterly reporting of metrics with integrated action plan and countermeasure functionality. Performance dashboards, resource allocation reports, and task management features provide real tools for daily management of these critical metrics.
3. Fully configurable share database—Get the value you deserve from the best practices, ideas, and knowledge within your organization. Our fully configurable database solution provides a simple input process combined with a robust, industry-proven search capability that goes well beyond the limited capabilities of share drives and corporate intranets.

These web-based solutions are designed and tested by those who live the processes every day, combining the discipline of the theory with the reality of implementation. By using the most up-to-date development technology we can offer easy-to-implement solutions that require little to no IT support.

We are pleased to be at the forefront of value-added technology solutions and welcome the founders of Catalyst, Mike Heath and Sheri Nemeth, as managing directors into the TBM family. Heath and Nemeth are lean industry veterans who created Catalyst after many years at Danaher.

We believe this partnership creates a dynamic opportunity to improve client results by integrating Catalyst's unique technology into our current consulting practices.

—Anand Sharma

