

Monthly “Close the Books” Process

The lean principles of waste elimination, quality at the source, and providing product based on customer demand are elements critical to reducing the time to close the financial books on a monthly basis. Money is the language of business, and no single report tells the story better than the monthly income statement and balance sheet. Providing that information, quickly, reliably and accurately is an improvement target for many companies.

Utilizing Breakthrough Kaizen Events is the fastest and best way to reduce overtime and rework in the monthly close process. A kaizen event is a quick change, action-oriented process improvement session where a cross-functional team analyzes the “current state” and implements improvements in four days. The improvements are usually dramatic. Each attendee makes a full-time commitment and management empowers the team to make changes. Thereafter, the closing cycle is improved each month by continued follow-up and improvement based on the learning and process design created in the kaizen.

Case Studies

Each company profiled below had different problems. Each was improved using the same kaizen approach.

CAPITAL EQUIPMENT MANUFACTURER: A single-location private company initially closed the books on an unpredictable schedule between 18-20 days. Over a period of nine months this was reduced to 5 days. Then, post-implementation of an ERP system reduced it to 3 days. With further kaizen activity, this accounting team achieved regular 1-day closes for every month of the year except year-end for over six years. The key improvements included correction reduction, accuracy versus precision, and minimizing manual intervention.

CONTRACT MANUFACTURER: One of largest sites at this global enterprise of more than 50 locations was consistently late with submissions while expending significant efforts and incurring overtime. Kaizen activity resulted in a 67% reduction in processing time and a 95% reduction in wait time. The closing process was dramatically reduced and all overtime was eliminated. The site became the benchmark for “best in class” and catalyzed significant change across the entire company.

BUILDING MATERIALS MANUFACTURER: A single-location, private equity-owned company reduced the closing calendar from 10 days to 5 days with just one kaizen and eventually to 3 days. The key improvements were establishing the use of standard work, coordination of efforts by team members, and the elimination on non-value add steps during the closing window.

CAPITAL EQUIPMENT MANUFACTURER: This division of a multi-division company was able to reduce the time-to-close for the cost accounting function by 50% with one kaizen. The main improvements included gaining voice of the customer (VOC) input, reducing non-value add reports, and eliminating redundant recordkeeping and correction.

PACKAGING MATERIALS MANUFACTURER: A company with over 50 locations reduced the time required for corporate reporting which freed up the plant controllers to provide plant analysis and consulting. During one kaizen, over 11,000 touch points were eliminated (reports x locations x frequency). Key improvements included voice of the customer, eliminating redundant reports, and creating standard work instructions. Implementation across all locations took less than 3 months.

ELECTRONICS MANUFACTURER (Software and Hardware): This global company reduced their close cycle by 50% (10 days to 5 days). The initial kaizen event resulted in the identification of 223 hours/month of non-value added work to be removed from the close process as well as 124 hours/month to be removed from the close window. In addition, 21 non-value added processes were identified for elimination as part of the monthly close. A follow-on event to address the international business is expected to result in another reduction in the close from 5 to 2 days.