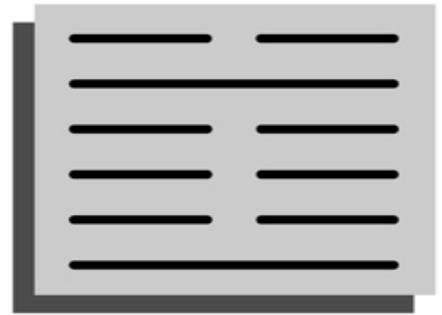


Change Management Associates



November 2011

Featured Topic



Can We Talk? Encouraging Meaningful Conversations

Dear Drew,

The autumn conference season is behind us and I reflect on the numerous presentations that I sat in on at the Lean Accounting Summit and the AME annual conference, just to name two. Practitioners of all types sharing experiences, lessons learned and the like. At the 6th annual Lean Accounting Summit in Orlando FL I sat in on Steve Player's 'Moving From Push Budgeting' presentation, Brian Maskell's 'Standard Cost Systems' (Brian is a pioneer in Lean Accounting), Jean Cunningham's presentation on Performance Measures, and others. Then it dawned on me. What all the presenters are really trying to do is to encourage meaningful conversations between the appropriate people in organizations. Allow me to provide some examples.

The typical budgetary process often involves people who sometimes have never met bickering over what the "final numbers" will be for the coming year. This annual "dance" involves coming to agreement on the number (typically 3-5% less than last year), with little or no discussion about how the figures will be met. But the understanding always is that they will be met...somehow. Wouldn't it be a better use of people's time to have a meaningful discussion of the changing business conditions expected in the coming year, the strategic initiatives that need to be undertaken, and the means by which these will be successfully accomplished? Wouldn't it be a better use of the analytical skills of the Finance and Accounting professional to participate in these

Upcoming Events



CMA and our network affiliates have the following events scheduled:

AME Events:

Innovation: Best Practices to Accelerate Growth in Your Business
Philadelphia, PA
November 17, 2011

This workshop will cover the leadership 'headset' with regard to product and market innovation. Also to be covered will be several practical techniques to spur innovation including: '7-ways', biomimicry, and set based concurrent design.

[Click here for more info!](#)

Lean Leadership: From Hoshin Kanri to Daily Walk
Telford, PA
December 7, 2011

Hosted by Fres-co Systems Inc, the morning tour will highlight the company's application of numerous operational

discussions rather than 'crunching the numbers' or chasing after people who experienced variances in their actual versus budgeted figures? Be honest folks. Do you really have what can be called meaningful conversations during the budgetary process in your organization, or is it just a transactional exercise (and often an exercise in futility)?

And then there is the "Standard Cost system". Where is the meaningful conversation here? Does it occur when operations managers answer variance reports for events that happened in the past? Is it during the periodic review and update of the standards in the system? Where is the conversation that involves how we can actually reduce cost? This conversation should occur where the product is made or the service is delivered, not via emails going back and forth, or through letters edicting an update of standards, or in meetings in conference rooms. In your organization, are there any meaningful dialogues stimulated by the Standard Cost system?

Performance Measures. The reporting of how people did. Operations, Finance and Accounting professionals dutifully updating charts and posting them under the guise of 'visual management'. I attended a tour during the AME conference and saw what must have been a dozen Safety-Quality-Delivery-Cost (SQDC) boards - one for each cell that they had implemented. I asked a simple question, "What do you do with the numbers?" "We post them every day" was the response. "No, what do you do with the numbers?" "We post them so people know what is expected." I reword my question and try again, "How do you help people affect the numbers?" No response, and puzzled looks. What meaningful conversations were initiated from the measures?

Nothing can replace getting the appropriate people together having the right conversations about plans going forward, waste and cost reduction, and how to achieve more stable and predictable processes (among other topics). Budgets, variances, reports, even visual metrics posted at the process are ineffective substitutes. We must go one step further or they all result in simple exercises that will be negatively viewed by people in the organization.

I ask you to reflect on the various business practices in your organization. Are they stimulating the right discussions? If not, what can you and your colleagues do to change this current condition?

Best Regards

Drew Locher

Managing Director, Change Management Associates

excellence concepts in practice including: Pull Systems, Visual Management, TPM, even Office Cells. The afternoon session will cover how Fres-Co deploys its "true north" throughout the organization and into its daily activities.

[Click here](#) for more information!

Be sure to check out our publications!

"Lean Office & Services Simplified"

Entire chapters on Value Stream Management, Standard Work, Visual Management, Flow, Pull, Leadership. Tactical approaches provided for HR, Finance & Accounting, Purchasing, Sales & Marketing. This will become the definitive how-to book on the subject.

"The Complete Lean Enterprise" (winner of a 2005 Shingo Prize)
VSM for Administrative & Office Processes

"Value Stream Mapping for Lean Development"
(Reviewed in the 2nd Issue 2010 of AME's Target magazine)

Books are available at www.productivitypress.com

Go to www.cma4results.com
Click on "News" to find articles

Reshoring: Has the decision point changed with regard to sourcing?

There have been several articles recently about the practice of 'reshoring' - bringing production operations previously moved offshore back to the U.S. Labor costs in China are increasing at a 20-40% annual rate. Transportation costs from Asia have increased 100-200% over the past six years. Fluctuations in currency exchange rates, increased risks due to extended supply chains, and other factors are all causing organizations to re-consider past decisions to offshore.

The benefits of moving production to low wage countries, or the sourcing of purchased materials from the same, are quickly eroding. Of course many companies did not adequately perform the necessary analysis that drove these decisions in the first place. For example, few included the increased inventory required to maintain customer service levels as lead times through the supply chain increased. Companies must use their experience to identify all of the costs associated with offshoring - the full acquisition cost - and re-analyze the situation using the most recent data. They may very well find out that the decision point on whether to source domestically or overseas has changed.

Perhaps a meaningful conversation on the topic of sourcing is needed in your organization.

and past newsletters. Recent newsletters are:

"What's Your Problem? The Basics of Problem Solving"

"Innovation and the 3P Methodology"

**"Because I Said So"
Managing by Objective (MBO)
versus Striving for Target
Condition**

[Join Our Mailing List!](#)

Drew Locher
Change Management Associates
856-235-8051
www.cma4results.com