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Roman Kepczyk • May. 27, 2013

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By now, most of us have read about “lean” processes increasing efficiency while reducing waste, and six sigma setting the highest standards for quality production, but these terms have mostly been applied towards large scale manufacturing environments. With the advent of paperless technologies being adopted throughout the accounting profession, and in particular, today’s digital workflow tools that move tax documents like production inventory, the opportunity to utilize the best of Lean Six Sigma tools and processes within an accounting firm is a reality that will have a significant impact on improving a firm’s bottom line.

The focus of Lean Six Sigma is to improve processes while reducing variation, with an emphasis on those steps that add value from our client’s perspective. Lean Six Sigma provides a highly disciplined approach and toolset that can quantify and monitor virtually any process in numerical terms, which is a concept that accountants can really relate to. Since the April 15 deadline has just passed, firms have a fresh memory of their current tax production processes and should consider looking at them through a new lens-that of Lean Six Sigma.

Most firms have been exposed to improvement methodologies including Kaizen, Strategic Brainstorming, Process Management, and Just Do It, which many consultants and partners already utilize with clients. Lean Six Sigma establishes continuous process improvement via the DMAIC methodology which stands for Define, Measure, Analyze, Improve, and Control. It is optimally applied when there are problems with workflow continuity and product variation, which describes most

firm's tax production processes today. Below we describe components of the Lean Six

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the current tax workflow “as-is” either on a flip cart or using digital tools such as Visio or PowerPoint. Lean Six Sigma utilizes “SIPOC” to define the specific elements of all workflow processes, which consist of Suppliers, Inputs, Processes, Outputs, and Customers.

By further segmenting the flowchart by staff roles and the approximate time for each step, the firm will get a clearer idea of what processes work and those that cause bottlenecks. The next Lean Six Sigma step is to evaluate the process from the viewpoint of the customer and to focus on those steps that truly add value, which is not a common approach for accountants who tend to focus on their own processes based on the “old way” of doing things that they were familiar with. Focusing on adding value to clients and defining those items that are critical to quality (CTQ), another key Lean Six Sigma focus helps the firm define the optimal approach to their LSS project.

MEASURE: The focus of the LSS measure phase is to identify and clearly define the key indicators of a successful tax process such as minimizing the total tax production cycle days or the time it takes to complete each step of return production. Today's workflow tools can easily track each process step and LSS tools such as histograms and run charts can help visualize current timelines, whereas tools such as Pareto and pie charts ensure the team is focusing on those items which create the biggest opportunity for improvement.

LSS training helps firms differentiate between continuous types of data (actual hours/days to complete) and discrete data (whether the step was complete or not) and then provides tools to quantify this information so the firm can verify progress is actually being made. This is where the technical aspects of LSS start to kick in and statistical analysis software such as SigmaXL and MiniTab can create control charts that identify whether a production process is under control or not, and how much

variation is in the process, which identifies the sigma level (See Six Sigma sidebar).

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effective brainstorming. Another effective LSS tool is to perform a Lean Process Analysis which charts the time it takes to perform each step of the workflow and identify which steps (and what % of the total process time) add value from our client's perspective, instead of performing steps "because we have always done it that way!"

According to "Lean" manufacturing, any process steps that do not add value from a customer perspective should be viewed as waste and targeted for reduction or elimination. Lean Analysis techniques also incorporate the organization of each accountant's work area to maximize efficiency. We've all seen the antithesis of this, a tax reviewer's office piled with random tax returns. Lean's "5s" promote individual efficiency by Sorting work in a prioritized fashion, Simplifying access so needed files are at your fingertips, Standardization of files and bookmarks so anyone can review another's work, Shining which is keeping you work area clean, and the Self-Discipline of each employee to continually strive to do better. Again, the Lean Six Sigma provides tools that can be applied by accountants effectively in their firms, and the statistical software tools previously discussed in the Measure phase can be used to validate any recommendations.

IMPROVE: The focus of the fourth phase of LSS is to generate solutions beginning with advanced brainstorming techniques including brainwriting, anti-solutions, developing analogies, and considering solutions with the "Six Thinking Hats" approach. Approaching a problem from a different viewpoint promulgates different solutions and the six hats has participants focus on solutions that fall in alignment from the angles of: creativity, emotion, pure facts, optimism, criticism, and process control. LSS also promotes benchmarking our processes against other hallmark services or industries to see how they can be applied within our firms (i.e. an Indy pit crew against the scanning department in your firm).

One of the next steps of the Improve phase is to document the proposed solutions on

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within LSS as a Process Monitoring Plan. Using a tax workflow system forces personnel to use one system that is the “firm’s” system instead of creating special processes to appease each reviewer/partner. When tied to dashboards that visually depict the results on a day to day basis, firms can actively monitor what is going right and get early warning when there are issues. Firms have long had key performance indicators that monitored those items that were important but in most cases these were backwards looking. With today’s integrated dashboards and process control charts, those KPIs can be charted so they are updated in near real time and can be more predictive.

CONCLUSION: Lean Six Sigma tools and resources add additional capabilities to a firm’s ability to successfully evaluate and improve their production processes, so firms should take the time during the off season to learn about them add them to the other process improvement resources in their toolkit.

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Firm Management

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