KPMG Lean Finance

Make the difference with Lean Finance

Our vision and approach for successful change in your finance function

www.kpmg.com
Lean Finance is the transformation key towards a world class finance function with efficient and effective financial operations.

Lean Finance enables your finance functions to **eliminate** non value added activities, **simplify** necessary non value added activities (due to regulations); and **maximize** value added activities.

The next level of lean finance involves investing in data analytics, decision support tools, and finance talent and training to develop intelligent finance skills and capabilities.
Realisation of First Time Right and reduction of lead times results in significantly lower costs

Lean drivers which lead to lead time reduction, quality improvement and finally a lower cost base

Based on our experiences Lean Finance realizes significantly improvements

- Reduction of lead times with 30% till 50%
- Reduction of margin of errors with 30% till 50%
- Increase productivity of employees with 15% till 30%
- Increase customer satisfaction
- Improvement employee involvement and satisfaction
- Clear roles of management and more time spend to value added activities

30% reduction in lead time for processing and payment of invoices based on first time right improvements

More than 38% late payments of invoices to approximately 5%

Lead time reduction of 40%, error rate reduction of 24% and more predictable activities and thus enhanced ability to plan
The transformation through Lean Finance consists of an integrated approach to ultimately embed continuous improvement.

Lean & Six Sigma are not only about applying methods and techniques but also about embedding the process of continuous improvement in the organisation …

High performance finance teams
Development of knowledge and experience with Lean to ensure continuous improvement from the operations in the daily practices

Excellent processes
Leading finance processes based on lean methodology in combination with process analytics to ensure the greatest impact at the lowest effort.

Management tool
Providing quantitative insight in the real-time performance of processes, enabling management to perform corrective actions and control the process

Data analytics
Providing quantitative insight in the performance of processes to detect areas of improvement (rework, waste)

… therefore, a focus is required on four components: management tool, high performance finance teams, data analytics and excellent processes.
The integrated approach of Lean Finance is a staged transformation towards effective, efficient and value added finance operations.

1. **Excellent processes**
2. **Data analytics**
3. **Management tool**
4. **High performance finance teams**

An optimal combination of preparation, training, Lean projects and increment improvements leads to **sustainable results** and creates a culture of **continuous improvement**.

**Stage 1**

- Excellent processes & data analytics
- Focus on: First finance operational improvements

**Stage 2**

- Continuous focus on operational improvements by management through use of **process performance insights**
- Management tool

**Stage 3**

- High performance finance teams
- Focus on continuous improvement both at management and at the finance operations through culture and competencies

From our first point of contact, we work together to develop your people with the appropriate level of understanding required for independent working and to be able to apply the lean philosophy.

We achieve this by demonstrating, doing it together and finally doing it yourself.

If required, we will continue to coach your organization towards the following maturity level.

**Where is your organization in the Lean Journey?**
Lean finance involves simplifying, streamlining and harmonizing essential finance processes to create a leaner, more efficient finance operation.

KPMG standards/ -tooling

- Leading practices & Standard processes
- Business Process Control design (AO/IC)
- Standard roles & KPI’s

Lean Finance methodology

- Voice of Customer (VoC) / SIPOC
- AS-IS TO-BE/ Waste identification
- Value stream analysis

Towards effective, efficient and in control processes

- Elimination
  - Continually assess processes to identify and eliminate activities that do not add value
- Simplification
  - Simpler processes tend to be more efficient, present fewer opportunities for defects, require less specialized knowledge and thus better lend themselves to centralization
- Standardization
  - Standard activities, in a standard sequence, supported by standard (ERP) system performed by standard roles based on leading practices.
- Automation
  - Technology breaks the proximity chain, allows for embedded, preventive controls, increases productivity and supports leading business practices.
Excellent processes from Level 1 to 5…. (example P2P)

1. Example Process Level 1 – 3 for the Purchase to Pay process

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<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
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<td>Requisition &amp; Procurement</td>
<td>Receiving</td>
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**Level 1 - Business Cycle**
Purchase to Pay

**Level 2 - Process**
E.g. Invoice Processing

**Level 3 – Sub process**
E.g. Receive Invoices

2. Example Process Level 4 – 5: Receive Invoice, Validate, Approve and Post Invoice & Manage Exceptions

**Level 4**
Activity per role
E.g. Check paper invoice

**Level 5**
Manual or automated transaction(s) in ERP system
E.g. Automatic 1/2/3 way match
Process analysis provides real-time visibility of your finance processes and the areas of improvement for direct high-impact action.

Example categorie incomplete invoices

- 71% of the creditors are among the invoices

Process (level 4)
Activity per role in the Purchase to Pay process

Realizing process improvements
Improvement actions are prioritized to ensure the greatest impact at the lowest effort.
Our process management tool fully facilitates the Plan, Do, Check, Act cycle and helps to continuously improve the financial processes in your organisation.

- Bi-weekly and daily stand-up meetings
- Tactical and operational reports
- Real-time dashboards
- Daily action list for employees
- Self-management of KPI's
The process management tool provides you detailed real-time process data and enables you to perform corrective actions.
“Sustainable change can be achieved by learning teams how to engage in continuous improvement independently”
A culture of continuous improvement in finance operations through a modular training curriculum

Through our unique collaboration with the Lean Enterprise Research Centre our Lean trainings are externally accredited by Cardiff University, quality guaranteed.

Our Six Sigma Green Belt and Black Belt training courses are externally accredited by the International Association for Six Sigma Certification.

### Lean Fundamentals training

- **Goal**: Basic knowledge and techniques of Lean
- **Six Sigma Green Belt training**
- **Practical experience**
- **Goal**: Basic knowledge and techniques of Six Sigma
- **Goal**: Assisting in deploying the learned techniques into practice

### Lean Technical training

- **Goal**: In-depth knowledge and advanced understanding of Lean techniques

### Practical experience

- **Goal**: In-depth knowledge and advanced understanding of Six Sigma techniques
- **Goal**: Assisting in deploying the learned techniques into practice

### Operational Management training goal

Managing in a Lean organization

### Lean Awareness training goal

Creating awareness and understanding of Lean & Six Sigma

### Strategic workshop goal

Alignment of improvement program to strategic goals
We include the following Lean methodology and tools in our project approach.

**Lean Finance Toolkit**

<table>
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<th>Data analysis and development of plan</th>
<th>Implementation and follow up</th>
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**Lean principles**
- Value - Value is defined by the customer
- Value Stream - The value stream is the sequence of steps taken to create value
- Pull - Make or process only what the customer needs when they need it
- Value Stream - The value stream is the sequence of steps taken to create value
- Flow - Plans are developed so that the products are produced continuously and without interruptions through the value stream - the steps to create value

**As Is / To be analysis**

**SIPOC methodology**
- Inputs
- Activities
- Process
- Outputs
- Customers

**Process analysis**

**Value stream analysis**

**Methods for selecting and implementing solutions**

**PDCA cycle**

**Visual management**

**6S work floor organization**
- Sort (scheiden)
- Set in order (schikken)
- Shine (schoonmaken)
- Standardise (standaardiseer)
- Safety (veiligheid)
- Sustain (volhouden)
Lean & Six Sigma References

**Van Gansewinkel**
Improving processes with partner Cegka

**Challenge**
Billing and internal invoicing process of ICT costs contained errors. Together with ICT partner, Cegka, they were working together to come to a solution.

**Approach**
KPMG mapped all related billing processes (VSM). In workshops, all risks and improvements were identified and quantified (FMEA).

**Results**
An analysis based on the actual operational processes, in which all relevant risks are identified and quantified. In addition, an action plan with concrete improvement actions and measures to prevent risks. Reduction of number of errors in the monthly billing and internal invoicing.

**KPMG Accountants**
Operational Management

**Challenge**
To improve the quality and efficiency of the financial statement audit.

**Approach**
Identification of the top 20 bottlenecks and generation of improvement ideas for the financial statement audit. KPMG further implemented an operational management program with focus on standardization, visual management and implementation of continuous improvement in the organization. Employees were trained in Lean thinking and tools.

**Results**
Improved quality of the financial statement audit and audit trail. Reduced variation in lead time and costs.

**Aegon**
Improvement of reporting cycle

**Challenge**
The client articulated the need for a more reliable and timely process reporting for IFRS, actuarial reporting and management reporting.

**Approach**
KPMG used the Lean & Six Sigma methodology to set up the project, map and analyze the processes, perform root cause analyses and proposed and implemented a diverse set of solutions.

**Results**
Lead time reduction of 40%, error rate reduction of 24% and more predictable activities and thus an enhanced ability to plan. Various Lean techniques used to determine the ideal state and the future state. An increased trust in the report process with greater control.

**Achmea**
Improve efficiency & customer satisfaction

**Challenge**
The Lean deployment program failed to deliver the expected results within the finance function. The client wanted to know the root causes behind this.

**Approach**
KPMG reviewed a piece of the organization wide Lean deployment program by means of interviews, workshops and desk analysis. Furthermore several recommendations have been made to revise the design and roll out of the program.

**Results**
Insight given into the actual project path and the root causes behind the failure to fully achieve the desired results and recommendations given on program structure and governance improvements.
Lean Finance makes the difference!

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