

Numbers **crunched**

Finance's Lean work: boost bottom line

By DEBBY ARKELL

One of the basic tenets of Lean is to give customers what they need, when they need it. Thanks to several recently conducted Lean workshops in Commercial Airplanes and Shared Services Group finance organizations, finance analysts are doing just that—which helps support the Internal Services Productivity growth and productivity initiative.

In BCA, a team led by Finance Manager Tami Garvin conducted several workshops in late 2006 to study how overhead costs are allocated among BCA customers. Overhead costs can include labor, training, building and utility costs, supplies and more.

The group also was producing detailed forecasts at the micro level as part of its financial forecasting activity. However, the group learned that the detailed data often wasn't useful to the customer.

"Through these activities we realized that financial data sometimes isn't the best data or metric for our customers to manage their businesses," Garvin said.

For example, instead of preparing reports showing customers the dollar amount budgeted or spent on computing, a better metric for them might be the number of computers per person.

"A dollar value of \$10,000 may not be as meaningful as showing a manager that she has 40 computers assigned to her group of 20 employees," she said. An added benefit, Garvin said, is that some of those metrics are already there.

The team determined a way to allocate overhead costs at higher, more practical levels, resulting in accounting changes affecting all BCA Finance organizations. That reduced the number of transactions logged by nearly 400,000 per month—which cuts opportunities for error.

Another benefit from the Lean workshops is that the Finance organization has freed up time spent on preparing detailed reports. Financial analysts are becoming able to work more closely with their customers, collaborating more on what they need to run their businesses.

"It sends a message to other BCA teams that we're committed to Lean as we attack and improve processes that have been around for many years—even decades—and it sets the stage for further simplification of our processes as we continue our transformation," said Jerry Allyne, vice president, Airplane Programs Finance.

Indeed, Shared Services Group Finance and Business also has used Lean workshops to simplify its processes. Teams led by Controller Ken Sweet last year worked to reduce the number of overhead product and service rates.

In 2006, SSG provided 390 overhead rates to bill for items such as building use and occupancy, creative services and computing infrastructure. With so many rates, business units were having difficulty easily determining the effect of SSG rate fluctuations on their budgets. Team member Rick Fitzgibbon equated the overhead rate consolidation effort to purchasing a shirt. "When buying a shirt, you don't care about the cost of the buttons or the collar or the thread; you just want to know what the shirt costs," he said. Likewise, the Cost Struc-

ture Redesign Initiative investigated how to bundle appropriate costs effectively.

The team combined rates into 46 percent fewer, broader categories for 2007. This reduced effort by SSG to create, publish and verify overhead rates. SSG and business partner financial analysts are not spending as much time developing forecasts or coordinating and negotiating changes.

Another SSG Finance and Business team reviewed the internal resource budget planning process. They evaluated the absolute dollars planned and number of budgets established and their necessity. The team established budget thresholds, creating a decision tree to help determine when new budgets are needed. To date, they've decreased by 29 percent the number of planning budgets used, with a goal of 50 percent by 2008.

SSG Business Management Director Anna Richards sponsored this effort and noted that "the reduction allows more time to analyze data to support better decision making by our business partners, rather than simply number crunching." ■

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Jerry Allyne (left), vice president, Airplane Programs Finance, and Finance Manager Tami Garvin discuss results of the recent Lean workshops held in Commercial Airplanes Finance. "These improvements have been a giant first step in generating capacity," Allyne said.

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