


Lean Six Sigma in Finance and Accounting Services for Enhancing Business Performance

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ABSTRACT

The evolution of Lean Six Sigma includes both the speed of Lean and the robustness of Six Sigma. Lean Six Sigma leads to greater efficiency and better quality in the finance and accounting process. Lean Six Sigma helps in solving various issues faced by finance and accounting processes. Applying the principles and discipline of Lean Six Sigma in finance and accounting provides the tools and discipline to strengthen the internal control environment while at the same time ensuring that the information flows are efficient. Lean Six Sigma is the predominant process management methodology for finance and accounting services as it is rapidly transforming how finance and accounting functions are managed. Research provides a set of guidelines in the form of the smooth deployment of Lean Six Sigma in finance and accounting services and develops various frameworks for emphasizing its operational, tactical, and strategic benefits. Research also provides various illustrations of successful Lean Six Sigma deployment in finance and accounting.

KEYWORDS

Accounting, Business Performance, Competitive Advantages, Finance, Lean, Lean Six Sigma, Services, Six Sigma

INTRODUCTION

Constant change in the external environment driven by heightened competition, more demanding consumers and a relatively unstable economic climate are just some of the challenges that organizations face in their day to day operations. Such changes call for enhanced firm capability in identifying new opportunities and sustaining superior performance. Competitive pressure forces companies to improve their support functions and business processes for better performances. In this scenario, Finance and Accounting function may also have to enhance its efficiency; effectiveness and pro-actively manage its capability to ensure it meets the organization's reporting and control obligations. In this context, it is necessary to find a method to improve the operational performance of Finance and Accounting services.

The concept of service can be split in two parts: (1) service offering: a service delivers value to customers by providing them with the outcomes that they desire and (2) service implementation: the service relieves the customers from dealing with the cost and risks associated with the outcomes they desire (Golnam *et al.*, 2012). Improving service quality is a top priority for firms that aim to differentiate their services in today's highly competitive business environment. Service quality allows the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross-selling, improving customer relations and thus, enhancing the corporate image.

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It results in the satisfaction and retention of customers and employees, thus reducing turnover rates (Gera *et al.*, 2017).

Hence, number of organizations is adopting the quality improvement programs originated in manufacturing, such as Total Quality Management (TQM), Lean, Six Sigma, reengineering, benchmarking etc., to enhance service quality. In this scenario, Lean Six Sigma (LSS) deployment can improve Finance and Accounting processes for better performance. Lean Six Sigma does not change core Finance and Accounting services but it does simplify the processes for executing these functions, and makes it much easier to spot defects, redundancies, and wasteful steps. Lean Six Sigma is the predominant process management methodology for finance and accounting services as it is rapidly transforming how Finance and Accounting functions are managed.

Lean Six Sigma in Finance and Accounting helps firms in the achievement of sustained competitive advantage, particularly through the combined impact of improved customer service and lower costs to serve. The main objective of this research is to enhance performance of Finance and Accounting functions by increasing efficiency and effectiveness of its process. Research works in this direction, explores various performance enhancement options and provides various frameworks to identify operational, tactical and strategic benefits, and determines prerequisites as well as challenges of Lean Six Sigma deployment in Finance and Accounting services.

LITERATURE REVIEW

Six Sigma is a business improvement approach that seeks to find and eliminate causes of defects or mistakes in business processes by focusing on process outputs which are critical in the eyes of customers. Six Sigma has often been presented as something different from TQM (Bengt *et al.*, 2008). Six Sigma is different from other quality initiatives because its main focus is to improve customer value and efficiency, and ultimately enhance bottom line of the organization (Pyzdek, 2003). Six Sigma is considered to be an important management philosophy, supporting organizations in their efforts to satisfy customers. Six Sigma is defined as “A business strategy used to improve business profitability, to improve the effectiveness and efficiency of all operations to meet or exceed customer’s needs and expectations” (Kwak & Anbari, 2006). Six Sigma principles can be used to shift the process average, help create robust products and processes and reduce excessive variation in processes which lead to poor quality (Shah *et al.*, 2008). Motorola saved \$15 billion during initial 11 years of Six Sigma deployment. With Six Sigma, AlliedSignal has had productivity gains of 6 percent in manufacturing in a two year period, and General Electric produced more than \$2 billion as customer benefits (Lucas, 2002).

Six Sigma was envisioned to be a quality improvement program that reduces process variation to the point where there are only 3.4 unacceptable defects per million process applications through the use of improvement strategies (Kumar *et al.*, 2008). Six Sigma focus on collecting data in order to apply statistical methods to solve baffling problems. The statistically based problem-solving methodology of Six Sigma delivers data to drive solutions, delivering dramatic bottom line results (Snee & Hoerl, 2007). Six Sigma translates whole problem solving process into a very systematic and structured format and decrease variation in the process by identifying and improving specific areas. Six Sigma improves a company’s operational efficiency, raises its productivity, and lowers its costs (Welch & Welch, 2007). Six Sigma as a powerful management strategy has evolved to encompass a broad range of approaches for incorporating quality into products and services from the early design and development stages and throughout their lifetimes (Harry & Schroeder, 2000).

While Six Sigma focus on elimination of variation and defects in quality, Lean focus on speed, efficiency and the elimination of waste. Lean approach encourages incremental improvement of an activity to eliminate waste, overburden and helps to create more value (Ohno 1988; Womack & Jones 1996). Lean philosophy believes that identifying many small opportunities leads to large overall change (Tapping & Shuker, 2003). Lean is thought of as a cost-reduction measure as it focuses on

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