

# Qualified Opinion

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## At a Glance:

### Next Meeting:

**Sept. 17, 2009**

#### **Carlyle's Grill**

3660 Jackson Rd

Ann Arbor, MI

(West of Wagner Rd, at Quality Cinemas)

**Pre-Dinner Meeting: 5:45pm, \$12**

**Speaker: TBD**

**Topic:**

**After-Dinner Meeting: 7:00pm, \$25**

*(includes both meetings and Dinner)*

**Speaker: TBD**

**Topic:**

#### **Carlyle's Menu**

*Steak Salad served with soup*

*Rotisserie Herb Chicken & Carlyle salad*

*Wild Mushroom Ravioli & Carlyle salad*

*½ Rack of Ribs & Carlyle Salad*

*Jumbo Lump Crab Cakes & Carlyle Salad*

*Whitefish & Carlyle Salad*

*Steak Wrap served with Soup*

*Steak Pizza with a Carlyle Salad*

**\*\*Dessert may be substituted for soup or salad**

**RSVP TODAY!** Make your reservation today with Mary Cortese at [mfcgram@yahoo.com](mailto:mfcgram@yahoo.com) or call her at (734)-434-6218

## No summer meetings

The Ann Arbor Chapter has been awarded 14th place in the National IMA competition. Congratulations to all for another Banner year!!!



# How Management Accountants Can Become Key Members of the Six Sigma Team

BY MARSHA SCHEIDT, DBA, CMA; GREG THIBADOUX, PH.D.;  
AND WILLS ROSENER, DML

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**THE UNITED STATES IS RAPIDLY BECOMING A SERVICE-ORIENTED ECONOMY WHERE AN ORGANIZATION'S SUCCESS IS DIRECTLY RELATED TO THE QUALITY OF SERVICE PROVIDED. LEAN SIX SIGMA IS A METHODOLOGY USED TO IMPROVE QUALITY IN BUSINESS PROCESSES, AND MANAGEMENT ACCOUNTANTS HAVE THE TECHNICAL AND INTERPERSONAL SKILLS TO BE KEY TEAM MEMBERS AND LEADERS ON SIX SIGMA PROJECTS.**

Currently, the service sector, defined as private non goods-producing industries, accounts for approximately 70% of total economic activity in the United States. Services can include warehousing, transportation, distribution, and sale (rather than production) of a good, or they may involve the provision of a service such as medical care or the preparation and serving of restaurant meals. Second, American industries have found that they must maintain a sustained focus on quality in the production of goods and services in order to be globally competitive. The American Society for Quality Control defines quality as "the total features and characteristics of a product or a service made or performed according to specifications to satisfy customers at the time of purchase and during use."

These two continuing trends—the rise of the service sector and the increased focus on quality—challenge the traditional role of the cost accountant, who historically was trained to track and cost out mass-produced standardized items. In addition to expertise on production and costing methods, today's successful management accountant must have in-depth understanding of service quality. To ensure maximum productivity, profitability, and quality of complex tangible goods and intangible services, companies are using the sophisticated Six Sigma business management strategy.

The goal of Lean Thinking is to increase efficiency within an organization by eliminating defects and minimizing variation in every product, process, and transaction. Examples of defects in a warehouse include delivering a part in 15 days when a customer is promised receipt in 10 days or an inventory accuracy of 94% when the goal is 97%. Variation can be applied to any activity that can be measured, such as delivery times, weights, inventory counts, performance scores, etc.

Processes with more variation are typically not as efficient as processes with less variation. One of the primary methods for instituting Lean Thinking is the utilization of Six Sigma methodology. Sigma ( $\sigma$ ) is the Greek symbol used to represent the standard deviation for a set of measured data. If data are represented as a bell curve distribution, then distances from the midpoint of the distribution can be measured in terms of Sigma. Sigma levels are used to describe how well the variation in a process meets the customer's requirements.

What the customer wants is used as the standard mean, and not meeting the customer's needs is described as a defect. Sigma is therefore defined as the standard deviation of a process in statistical control. The quantitative goal of the Lean Six Sigma program is to obtain six times the standard deviation between the mean process and the closest tolerance limit. Implementation of Six Sigma creates a process capable of producing only 3.4 defects per million opportunities.

Selecting the Project. Project selection is the most important step because all other actions are dependent on which problems and opportunities are addressed. Management accountants are particularly suited to either direct this phase of the Six Sigma process or provide crucial support as team members.

DMAIC Phase 1: Defining the Problem. After the general area of concern has been identified, the next steps are to define the specific problem of interest, to determine the scope of the investigation, and to identify the critical factors to be studied. Management accountants also are excellent candidates for leadership in this phase of the Lean Six Sigma process because of their extensive training and experience in identifying problems, determining the scope of the issues, and establishing the criteria for project success. They are also in a unique position to relate strategic management goals to operational processes because they often are involved in the analysis of variances.

DMAIC Phase 2: Measuring the Current Process. Management accountants are closely involved with process definition through their work with traditional costing systems, activity-based management (ABM), and activity-based costing (ABC) procedures. Experienced management accountants generally have extensive experience in documenting and understanding process activities, because knowledge of these business processes is required for product costing, cost control efforts, and performance evaluation.

DMAIC Phase 3: Analyzing the Process. In this phase, the management accountant will analyze the data and the process maps to determine the cause of the defects and to formulate a plan of remedial action.

DMAIC Phase 4: Improving Quality by Reducing Defects. For at least the last 20 years, management accountants have been educated and involved directly in the area of quality management and are well aware that organizational success cannot be measured in terms of financial returns alone. With their knowledge of ABC systems and the ABM philosophy, management accountants know how to define value-added and non value-added activities and how to improve internal processes. They also are information specialists based on their use of cost management tools to integrate and to coordinate all of the activities associated with supply chain management, including research and development, product/service design, production, marketing, distribution, and customer service. Management accountants, therefore, are in a unique position to lead efforts to improve both internal and external processes in order to rectify problems discovered via the Lean Six Sigma methods.

DMAIC Phase 5. Implementing Controls. Management accountants are uniquely qualified to help an organization develop efficient and effective control systems given their extensive experience in standard costing methods, variance analysis, and management-by-exception-based performance reporting. Accountants also have the expertise to develop effective feedback systems to ensure that responsible employees receive timely information about the processes.

Management accountants are in a unique position to lead efforts to improve both internal and external processes in order to rectify problems discovered via the Lean Six Sigma methods. Specifically, management accountants can contribute to quality-improvement phases through these actions:

- Aid in redesigning the process to eliminate the problem.
- Help in training personnel to understand the new approach.
- Serve as team leader during the implementation phase of the redesign process.
- Apprise upper-level management of the impact of changes, and keep those managers interested in and committed to the needed improvements.
- Work with customers to make them aware of the ongoing effort and the company's focus on customer satisfaction.
- Define best practices either within the company or externally, and work to help the organization adopt such measures as their benchmark targets.

In summary, experienced management accountants have the vision and the technical expertise to lead a Six Sigma team in designing and implementing necessary process changes. They also occupy a unique position that affords them the opportunity to communicate about such changes with upper-level management, employees, and customers.

The effectiveness of the Lean Six Sigma philosophy and methods in reducing defects and variations in the production process has been well established. Increasingly, however, attention is being focused on the application of the same techniques to the growing service sector. More and more service-sector company managers are realizing that to be competitive and meet their customers' needs they must seek to achieve the highest levels of service quality



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ALSO email Jim Casper at [jcasper@provide.net](mailto:jcasper@provide.net) so that our Chapter has your updates.  
If you have questions, call our local chapter board member Mary Cortese at 734-434-6218.