Introducing Practices of Lean Accounting
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Abstract
Whereas businesses in the Anglo-American world have long pursued innovative and more cost efficient accounting techniques, Austrian accounting systems are largely driven by the idea of tax compliance and traditional costing methods. This article aims at introducing the idea of lean accounting to Austrian accounting professionals.

The idea of lean
The “lean” concept was first introduced by Toyota and has its roots in the area of production (Yu-Lee, 2011). The original objective was to reduce wastage of resources that do not increase the value of a product (Emiliani, 1998).

Nowadays, lean is not only limited to manufacturing processes but has to be implemented in every aspect of the business in order for the company to keep pace (DeBusk, 2012). Accordingly, over the past decades, the approach has been developed further and is now deployed in sales, finance, marketing and even accounting.

Lean accounting practices
Generally, lean accounting pursues the following goals:

- increasing profitability by smoothing the internal work flow,
- eliminating waste and time-consuming practices and
- providing a better basis for decision-making by simplifying reports and financial statements (Maskell & Kennedy, 2007).

As one of the integral parts of an organization, accounting is the key to a successful transformation into a lean company. Changing their bookkeeping, control and measurement methods is therefore crucial for companies that are willing to adapt to the ongoing changing environment and, ultimately, strive to develop their full potential. Traditional accounting systems, however, often inhibit rather than drive lean conversion of the enterprise. (Maskell & Kennedy, 2007)

- Comprehensibility
According to Maskell & Kennedy (2007), understandable information is an essential component of any lean organization. Since most decisions are made based on financial reports, the information provided ought to be accurate and easy to understand: Instead of presenting company data by using complex formulations and incomprehensible accounting methods, reports are radically simplified and presented in “plain English”. This does not only lead to well informed decisions but motivates better actions.

- Materiality
One major goal of the lean method is to eliminate unnecessary procedures by focusing on what is truly essential and avoiding time-consuming mistakes. Although errors can never be completely disposed of, they are not repeated, as this is a form of waste that the
Lean philosophy seeks to eliminate (Emiliani, 1998). Correspondingly, lean methods always improve a company’s ability to learn. (Maskell & Kennedy, 2007)

- **Organized Processes**

In addition, Maskell & Kennedy (2007) claim that traditional costing methods have become obsolete and should be replaced by value stream costing. This method is based on the assumption that lean companies are less concerned about the cost of the individual product and attach more importance to the costs of the value stream as a whole. Therefore, lean enterprises aspire to continually fine-tuning internal processes, leading to a smoother flow of information, excess capacity and lower costs.

- **Efficient Workflow**

Another vital point is the simplification of data collection and monitoring systems, as Lean accounting strives to maximize the flow of Information. Performance measurements are therefore easily collected visually displayed and comply with the company’s strategy. (Maskell & Kennedy, 2007)

Detailed inventory tracking systems or employees recording their working hours using timesheets are only two examples for burdensome practices that can easily be substituted by lean systems. Over time, lean organizations will largely eliminate the need for such wasteful methods and replace them with self-explaining visual management techniques, which reveal problems as they occur and ensure that everyone is working with the same information. (Maskell & Kennedy, 2007)

**Implementation of lean methods**

The practice of lean accounting aims to adapt existing accounting methods to the requirements of lean organizations. Thereby, it should always be kept in mind that in the short-term, costs will not be reduced radically. In fact, lean practices eliminate waste and therefore create additional capacity within the company, which, if employed correctly, eventually results in cost savings.

However, lean practices should not focus solely on financial benefits but on maximizing customer value, which was justified by Maskell & Kennedy (2007) as follows: “Focusing on creating more value for the customer will, in turn and over time, create even greater value for the owners.”

**References:**


