

# Management Accountants rated as Ideal Professionals to Implement Lean Accounting Techniques in the Pakistani Industries

By Research and Publications Department, ICMA Pakistan

**ICMA Pakistan Survey reveals that majority of Pakistani Industries  
have not adopted 'Lean Accounting' techniques**

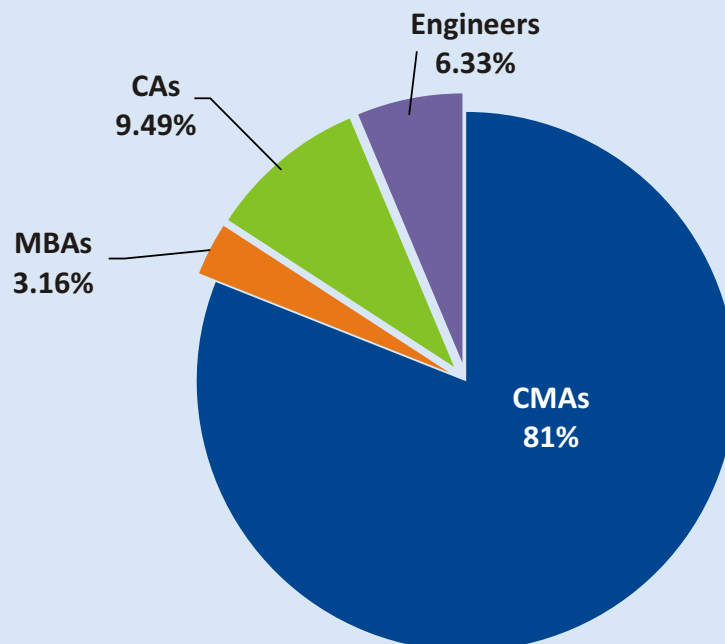
## Abstract

The Research and Publications Directorate of ICMA Pakistan conducted a Survey titled 'Applicability of Lean Accounting Techniques in the Manufacturing and Services Sectors in Pakistan' to assess the use and applicability of Lean Accounting Techniques in the manufacturing and services sector in Pakistan. Lean accounting was initially developed to support lean manufacturing companies, however, presently it is fast moving into financial services, healthcare, government, education and other services sector. The traditional cost accounting targets only the cost of goods sold, whereas lean accounting targets wastes in all its forms, which in turn, reduces the cost of goods sold. Lean accounting uses value stream costing. The value stream is the direct flow from suppliers through to the customers, hence lean accounting provides a targeted picture of every step in customer fulfillment.

As a result of outcome received from the sample study of 158 companies which comprised of manufacturing (46.2%) and services and allied (52.5%) it can be inferred that majority of the Pakistani industries have not adopted lean accounting techniques, mainly because of lack of awareness about this type of cost-cutting accounting method. More than fifty percent (55.7%) organizations have indicated that lean accounting is not applicable and implemented by them, whereas 43% have communicated that it is being implemented to some extent in their organizations.

The cost and management accountants have been rated as the most appropriate and ideal professionals to help organizations in adopting and implementing lean accounting techniques, in view of their technical expertise in this area. Almost 81% respondents have preferred cost and management accountants. However, in response to another question about general awareness about lean

## Most appropriate Professional to deal with Lean Accounting



accounting, only 36.71% CMAs have mentioned that they know about lean accounting techniques, which shows that there is greater need on the CMAs to learn about this new technique through participation in training programs on the subject. Furthermore, there is also need on the part of the Institute to include more contents in the syllabus about lean accounting techniques and methods in order to provide adequate understanding on this subject to CMA students who are going to join the industry after completing studies.

The survey also confirms that cost and management is the most relevant area which has close relationship with lean accounting, as compared to other functional areas such as production, engineering, finance and financial accounting. Around 63% of the respondents have ticked 'cost and management accounting' to this specific question. More than fifty percent (53.8%) respondents have indicated that lean accounting is less complex and less costlier than the traditional accounting methods. The survey further indicates that almost all the levels of management can benefit from the application of lean accounting, especially the operational managers (30.4%) and top management (23.4%).

In organizations where lean accounting is being implemented, majority of respondents (43%) have stated that its adoption has helped them in eliminating production and operational wastes (43%), whereas 20% and 17% respectively have termed it useful in simplifying financial statements and reducing unnecessary transactions. Around 15 percent respondents have communicated that lean accounting helped in satisfying their customers.

In response to a query whether there is need for a separate department or section for overlooking lean accounting adoption and implementation, more than 70 percent respondents are of viewpoint that this could be managed under other existing departments. Needless to say that such a department must be manned by management accountants.

## Methodology

The Feedback Survey Questionnaire was uploaded on Institute's website on 25th July 2015 and also placed on Google Drive to provide an opportunity to members to submit their responses online. The members were also invited via email to

participate in this survey and provide feedback on 8 specific questions (Q1 to Q8) related to general awareness, applicability and benefits of lean accounting. The members were given deadline of 3rd August 2015 for submitting responses to Research and Publications Department. Later, the deadline was extended upto 11th August 2015 to provide opportunity to more members to participate.

## Survey Statistics

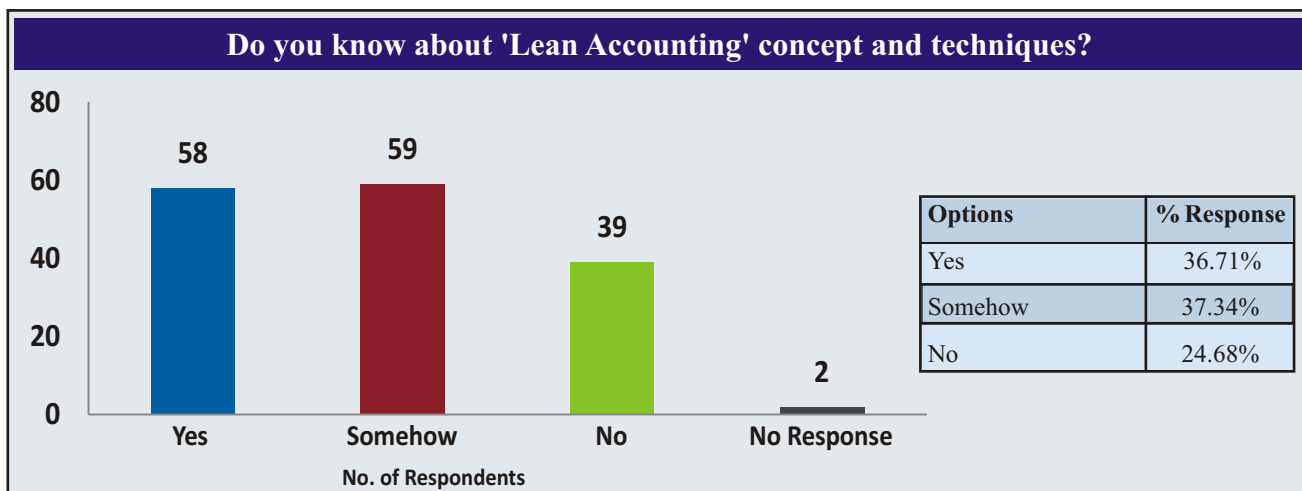
overall 172 responses were received from members by the given deadline, out of which 14 responses were considered redundant and declared invalid either due to more than one submissions by one respondent or providing incomplete information such as not mentioning names. Other minor non-provision of information such as contact number, organization name etc were, however, considered. Out of 158 correct responses, 73 responses (46.2%) were received from the manufacturing sector, whereas 83 responses (52.5%) came from the services and allied sector.

## Survey Questionnaire and Responses

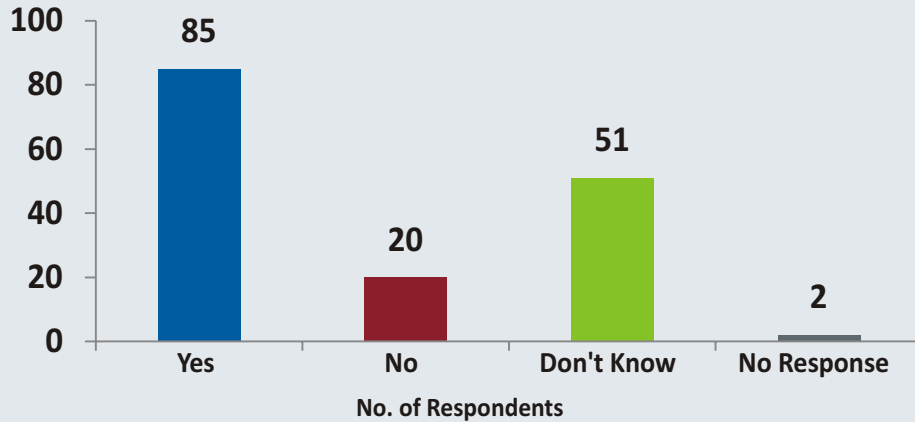
The survey questionnaire comprised of eight questions that covered the aspect of general awareness about lean accounting in CMAs employed in the industry; the applicability and extent of implementation of lean accounting in respective organizations, the benefits that accrues from adopting lean manufacturing techniques and the most appropriate professional to help implement lean accounting. We would discuss the purpose and the results of survey of each question separately as under:

### Q.1: Do you know about 'Lean Accounting' concept and techniques?

The purpose of this question was to have an initial feedback from CMAs whether they have general awareness about lean accounting; its concept and techniques. The response indicates that around 74% CMAs either have a clear or little understanding about lean accounting, with 36.71% saying that they know about it and 37.34% stating that they know somehow about lean accounting. Around 25% respondents mentioned that they have no idea or understanding about lean accounting.



**Do you think that 'Lean Accounting' is less complex and less costly than traditional accounting?**



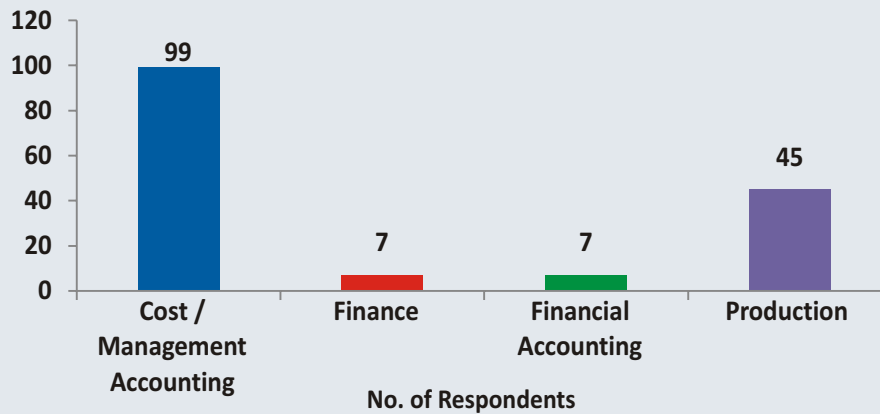
Options	% Response
Yes	53.80%
No	12.66%
Don't Know	32.28%

**Q.2: Do you think that 'Lean Accounting' is less complex and less costly than traditional accounting?**

This question was intended to seek feedback of CMAs as to what is their viewpoint about the complexity and costliness of lean accounting as compared to traditional accounting methods and techniques they have been using in their respective industries. More than fifty percent (53.8%) respondents were

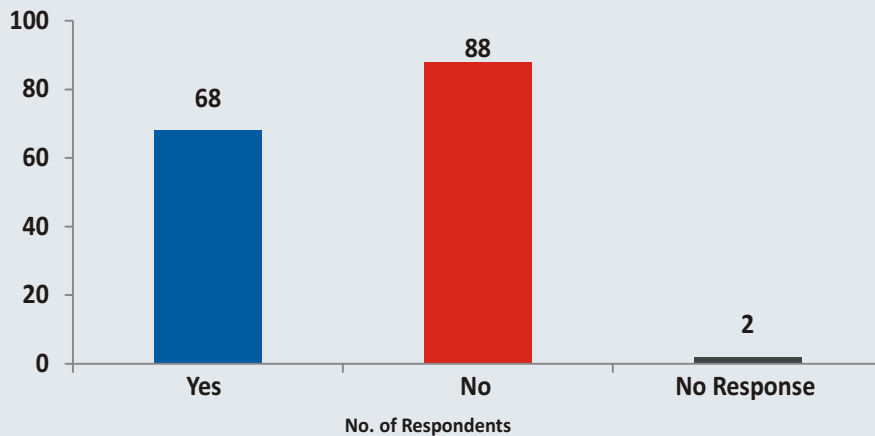
of the view that lean accounting is less complex and less costlier than the traditional accounting methods. Around 13% respondents did not agree with this and stated that traditional accounting is better than lean accounting in terms of simplicity and costliness. Around 32% respondents mentioned that they are not in a position to answer this question in view of their lack of knowledge about lean accounting.

**In your opinion, to which organizational areas or functions does Lean Accounting has more close relationship?**

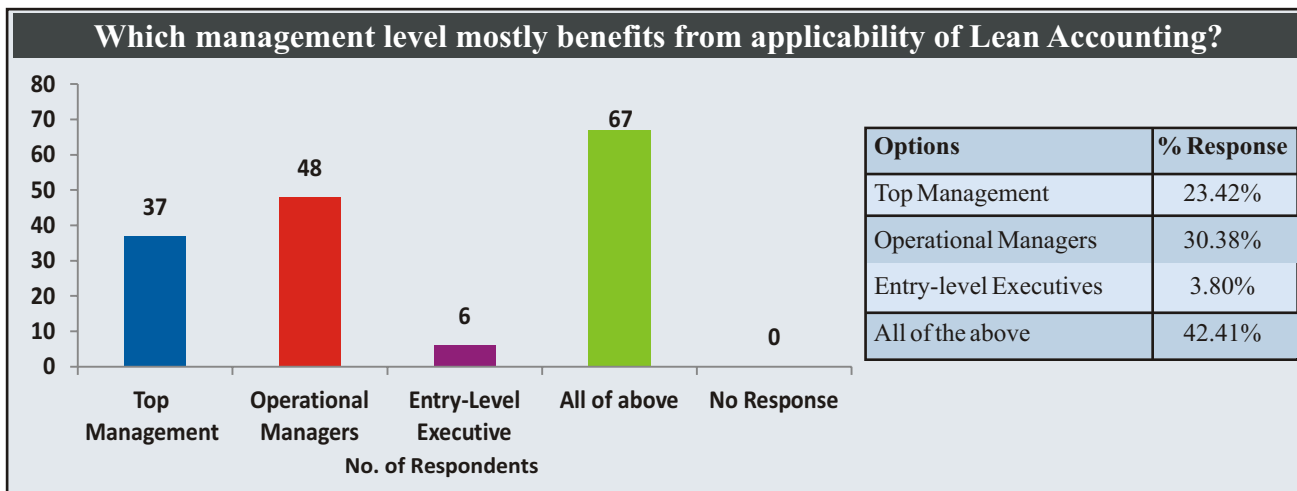


Options	% Response
Cost/Management Accounting	62.66%
Financial Accounting	4.43%
Finance	4.43%
Production	28.48%

**Is Lean Accounting is applicable and implemented in your organization?**



Options	% Response
Yes	43.04%
No	55.70%



**Q.3: In your opinion, to which organizational areas or functions does Lean Accounting has more close relationship?**

The purpose of this question was to get feedback as to which areas or functions in the manufacturing and services sectors have close relationship with lean accounting, or in other words where lean accounting is mostly applicable. It transpires from the feedback received that majority of the respondents (63%) think that 'cost and management accounting' is the top area which is more close to lean accounting, whereas 28.5% respondents think that lean accounting is mostly applicable in the 'production' area. Around 4.43% of the respondents expressed that financial accounting and finance is more close to lean accounting.

**Q.4: Is Lean Accounting, in any shape, applicable and implemented in your organization?**

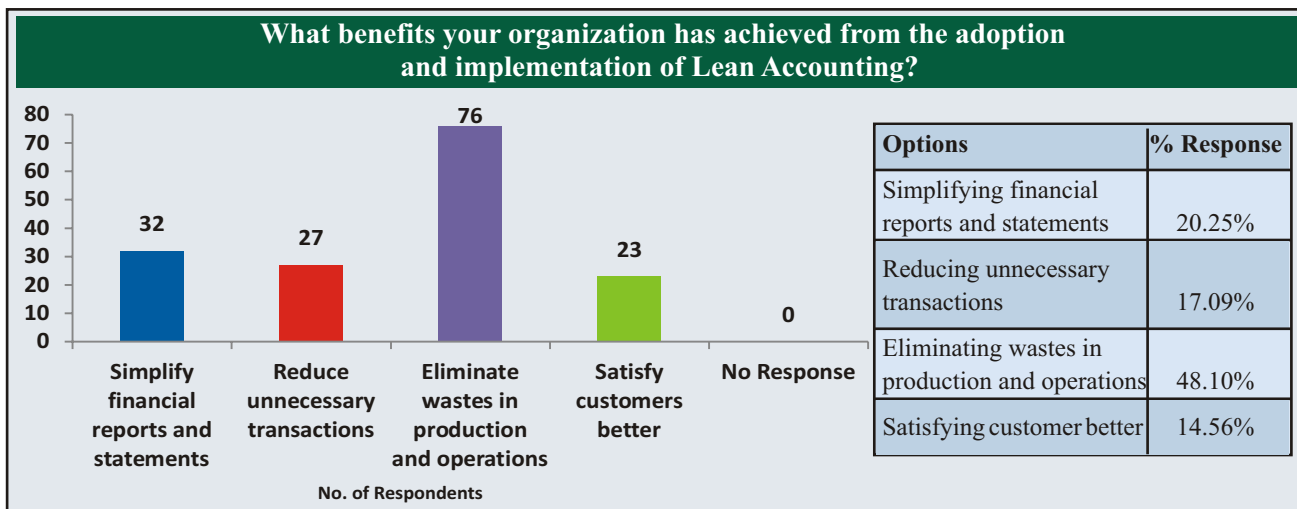
The basis objective of this question was to judge as to what extent the techniques of lean accounting are being implemented in the Pakistani industries and services sector. The response received present a dismal picture as more than fifty percent (55.7%) members saying that lean accounting is not applicable and implemented in their organizations. Around 43% respondent indicated that it is being implemented, mostly in the manufacturing sector.

**Q.5: Which level of management mostly benefits from the knowledge and applicability of Lean Accounting in your organization?**

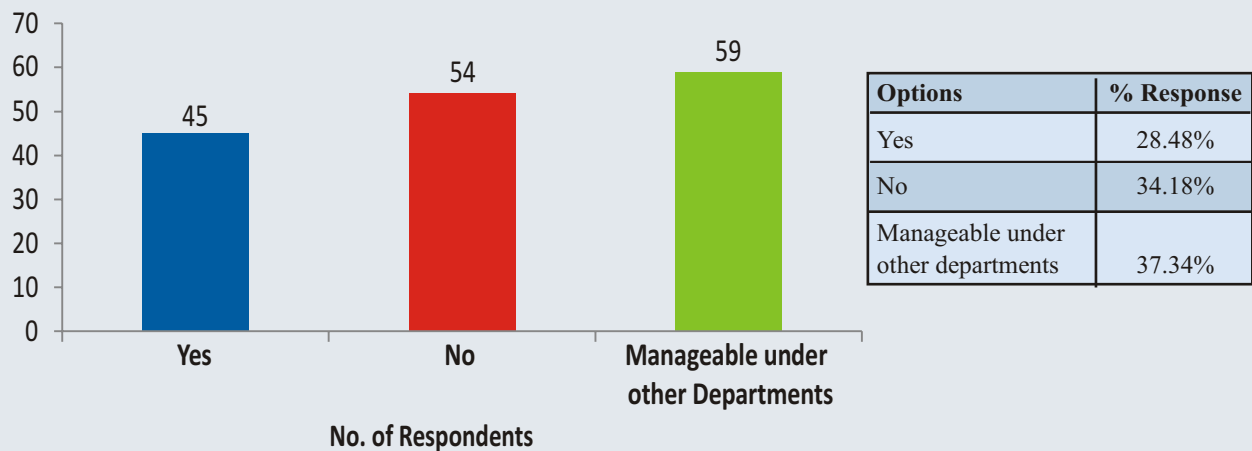
This question relates to previous one and enquires from respondents that in case lean accounting is being implemented then what areas mostly benefits from it in their respective organizations. There is a mixed response with 30.4% respondents indicating that 'Operational Managers' mostly benefits from lean accounting whereas 23.4% says that the top management are the benefiter. Around 42.41% stated that all the levels of management viz.. top management, operational managers and entry-level managers benefits from the implementation of lean accounting.

**Q.6: What benefits your organization has achieved from the adoption and implementation of Lean Accounting?**

This question is linked to the previous two questions and directed towards those organizations where lean accounting is being implemented, with aim to assess as to what benefits are accrued to these companies as a result of adoption of lean accounting techniques. Most of the respondents (48%) pointed out that this helped them in eliminating production and operational wastes. Another 20% respondents said that it assisted in simplifying financial statements and 17% indicated



### There should be a separate section or department for implementation of Lean Accounting?



that it helped in reducing unnecessary transactions. Around 15% respondents stated that it helped in satisfying their customers.

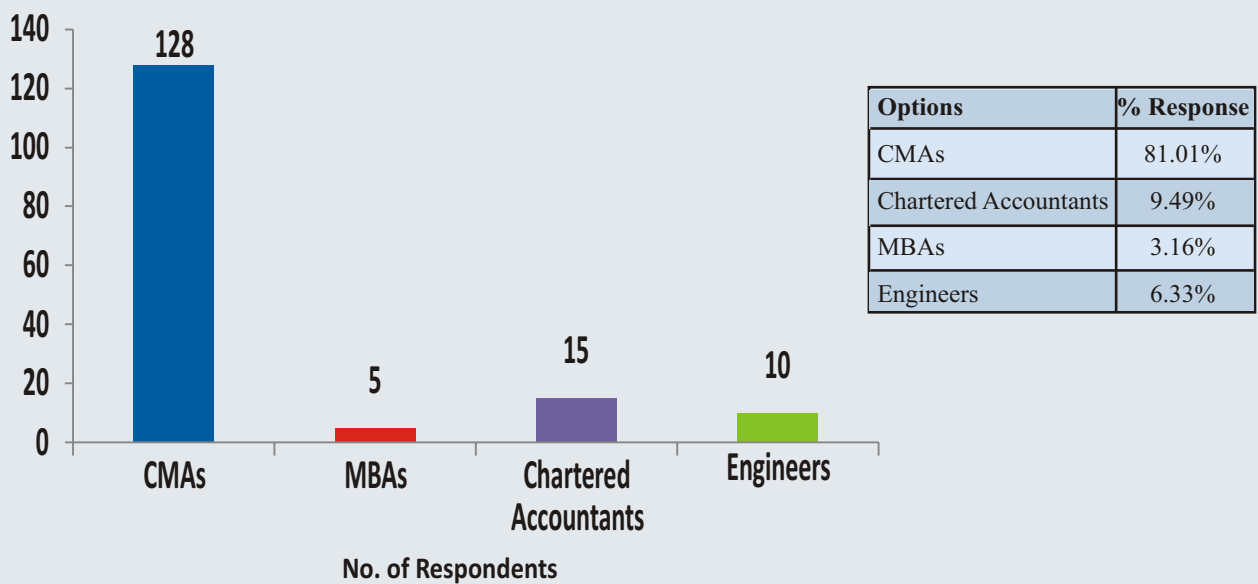
#### Q.7: There should be a separate section or department for application and implementation of Lean Accounting?

The purpose of this question was to seek views of respondents as to whether there is need for a separate department to deal with the application and implementation of lean accounting. The response is mixed with majority of respondents (71.52%) saying that there is no need for a separate department on LA, out of which 37.34% say that it could be managed under other departments. Only 28.48% of the respondents expressed the need for a separate department on lean accounting.

#### Q.8: Who is the most appropriate professional to help organizations in implementing Lean Accounting techniques?

This is the most important question in the survey where the CMAs were asked as to who, in their opinion, is the most appropriate professional to help organizations in implementing lean accounting techniques. Obviously and quite rightly, majority of them (81%) indicated that 'Cost and Management Accountants, are the ideal professionals who possess the technical expertise to help organizations in implementation of lean accounting techniques. Around 9.49% chose Chartered Accountants whereas 6.33% pointed out that Engineers are the appropriate professionals for this task. Only 3.16% respondents were of the view that MBAs were the right professionals.

### Who is most appropriate professional to help implement Lean Accounting techniques?



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