L

ean Production (also called Lean Enterprise or Lean Manufacturing) is a management philosophy and methodology. It was first practiced in Japanese auto companies and studied extensively in the 80’s, by a team of MIT Researchers, as part of the “International Motor Vehicle Program.” One result of this study was the book “The Machine that Changed the World”, which documented, analyzed, and argued convincingly for the superiority of Lean Production. Lean Production was later widely adopted by manufacturers around the world.

According to the authors, *“(…) Lean production…combines the advantages of craft and mass production...[It] is lean because it uses less of everything...[human effort, manufacturing space, investment in tools, development time, and]...requires keeping far less than half the inventory on site...Lean producers…set their sights explicitly on perfection with continually declining costs, Zero Defects, Zero inventories, and endless product varieties. (…)”* (Jones, Daniel T.; Roos, Daniel; Womack, James P.; The Machine that Changed the World. Harper Perennial, 1991. Pages 1-30*)*

Within a Lean Enterprise, “Lean” means considering any use of resources for any goal other than creation of “value,” wasteful. Value is “any action or process that a customer would be willing to pay for”. Lean Accounting is intended to replace a traditional accounting system. However, what is Lean Accounting? Lean Accounting is a set of principles and practices that complies with all statutory and Generally Accepted Accounting Principles (GAAP) in the United States and Europe, and with International Accounting Standards (IAS).

Several books on the subject have been written, Practical Lean Accounting (Maskel & Baggaley, 2003), Real Numbers: Management Accounting in a Lean Organization (Adams, Cunningham, Fiume, 2003) and the novel Who's Counting? (Solomon, J. 2003). Probably the best description of Lean accounting comes from a 2005 article, ["Lean Accounting: What's it all about?"](http://maskell.com/subpages/lean_accounting/articles/Lean_Acctg_Whats_It_All_About.pdf) It lists 5 guiding principles *“(…) 1) Lean and simple business accounting, 2) Accounting processes that support lean transformation, 3) Clear and timely communication of information, 4) Planning from a lean perspective, and 5) Strengthening internal accounting control. (…)”* (Baggale, Bruce L. and Maskell, Brian H. "Lean Accounting, What's it all about?”, 2005).

Lean accounting makes some traditional practices obsolete, specifically standard costing, activity-based costing, variance reporting, cost-plus pricing, transactional control systems, and traditional financial reports among others. A more complete description of Lean Accounting can be found online; however, nearly all freely available information is presented as promotional rather than objective.

Lean Accounting remains a niche within the accounting world. Time and academic study are needed to corroborate the claims of its promoters.

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