Six Sigma: Not Just For Widgets Anymore

Example: Finance Applications

- Digitization (eCommerce)
- Cash Flow
- Collections
- Product Delivery
- Reserves
- The Auditing Process
- Hedging of Foreign Currencies
- Compliance
- Acquisition Integration

… and many more

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Example: Finance Applications

1. Reducing average and variation in days outstanding of accounts receivable. Collecting money faster.
2. Optimizing timing of invoice payment in accounts payable.
   Paying in time to collect discounts, but otherwise holding on to the money as long as the terms allow.
3. Managing costs of public accounting firms.
   Investigating…
   (a) why we sometimes pay more per hour than other times, and
   (b) why we sometimes have highly paid accounting people (i.e., "Partners") doing lower level work.
4. Skip tracing in collections.
   Determining financially optimal strategies for finding consumers who have skipped on accounts (credit cards, leases, etc.)

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Example: Finance Applications

5. Determining the best way to factor inventory.
   Pay a third party to hold it on their books, taking into account several criteria, such as net income, cash flow, etc.
6. Determining the best way to factor accounts receivable.
   Selling our accounts receivable to a third party to enhance cash flow, while maintaining profitability.
7. Closing the books faster.
   Frees-up the time of finance resources.
8. Improving the audit process to be faster and more accurate
   (i.e., fewer missed issues)
9. Reducing the number of manual account reconciliations
   (Relates to several other applications)
10. Improving the acquisition process.
    Faster, fewer resources, fewer mistakes

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Example: Finance Applications

11. Realizing revenue from long-term service agreements faster.
    Accounting rules require equal revenue realization over the life of the contract unless you can provide evidence that your costs will not be equal.
12. Hedging Foreign Currencies.
    Improving the manner in which we convert foreign currencies to US dollars. Since all financial measures are generally reported in dollars, this can have a huge impact on the bottom line for international companies.
13. Reducing variation in cash flow.
    Sometimes cash flow follows profitability, and sometimes it doesn't.
    WHY?
    With all the creative accounting today, analysts often want explanations if cash flow is not increasing at the same rate as earnings.
14. Credit scoring accuracy.
    Improving our ability to predict which individuals or businesses are good credit risks, and which are not.

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Example: Finance Applications

15. Journal entry accuracy.
    A rule of thumb suggests that most businesses have a 3-4% error rate in journal entries, resulting in a lot of rework later.
16. Financial forecasting accuracy.
    ENOUGH SAID!!
17. Improving the accuracy and cycle time of standard financial reports.
    Cycle time relates to freeing-up finance resources, as well as getting more timely information.
18. Optimizing the process for filing federal, state, and local taxes.
    Typically to reduce cycle time, and ensure we're not overpaying.
19. Optimizing pension fund management (obtaining higher rates of return)
    The federal government requires certain reserves, but if we manage the pension fund well, we can take the amount over-funded to the bottom line.
20. Payroll accuracy (including deductions for taxes and benefits)
    ENOUGH SAID!!!

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