Hoshin Kanri: Collaborating to Chart and Manage Strategies

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Agile Alliance 2015
Agile Project Management
Hoshin Kanri, 方針管理 Agenda

1. Apply Lean principles to the strategic planning process.
2. Increase your understanding of how to develop, manage and execute a strategic plan.
3. Tactically learn about strategic planning using the Hoshin Kanri Method.
4. Define the Hoshin Kanri key elements, processes, and tools.
Lean Principles and Practices

Lean is an enterprise-wide set of concepts and tools aimed at strengthening competitive advantages realized from operating your processes.
Lean Principles and Practices

1. Specify Value as perceived by the Customer
2. Identify the Value Stream
3. Make the Value Flow through the Value Stream
4. Pull the Value from the Value Stream
5. Strive for Perfection
The Define Measure Analyze Control Process (DMAIC)

1. Define the problem, improvement activity, opportunity for improvement, project goals, and customer (external and internal) requirements.


3. Analyze the process to determine root causes of variation.

4. Improve process performance by addressing and eliminating root causes.

5. Control the improved process and future process performance.
Kaizen “Change for the Good”
Typical Company

Plan: 55%
Check: 25%
Act: 5%
Do: 15%
...or Maybe it’s Like This

- Plan: 15%
- Do: 80%
- Check: 5%
- Act: 0%

[Diagram showing pie chart with segments for Plan, Do, Check, and Act]
Toyota’s Use of Time

- Plan: 55%
- Do: 10%
- Check: 15%
- Act: 20%
Hoshin Kanri, 方針管理

- **Hoshin Kanri** - Japanese term for Policy Deployment
- **Hoshin** is composed of two characters:
  - *Ho* means “method or form”
  - *Shin* means “shiny needle or compass”
  - Taken together, *hoshin* means a “methodology for strategic direction setting”
- **Kanri** means “management” or “control”
Hoshin Kanri, 方針管理 X Matrix

A process to align Innovation + Strategy to Action by using horizontal and vertical alignment in the organization.
Hoshin Kanri, 方針管理

- Provides a step by step planning, implementation and review process for managed and sustainable change.
- Facilitates a set of coordinated processes to accomplish the core objectives of the business.
- Clarifies annual target policies derived from long- and medium-term policies that encompass the long term visions of the company.
Hoshin Kanri, 方針管理

- Translates organizational goals to actions based on priorities determined by management.
- Aligns goals of individuals, teams, and functions to that of the organization.
- Tracks resource allocation to tasks and goals.
Hoshin Planning - Difference between Breakthrough and Control

- **Breakthrough**
  - Attainment of top executive goals
  - Improvement to a higher level of performance

- **Control**
  - Adherence to a current standard
Hoshin Kanri Flow

**Goals**
- The broad outcomes

**Strategies**
- The outcomes you will take

**Objectives**
- The measurable steps you will take to achieve strategies

**Tactics**
- The detailed steps and tools you will use
Hoshin Planning - Relationship between Breakthrough and Control

- Processes often have to go out of control in order to begin a new breakthrough phase
- Out of control organizations use resources to address sporadic problems (Reactive versus Proactive)
Major Strengths of Hoshin Kanri

- Synergy between top-down and bottom-up processes
- Continuous, systematic management of processes
- Rigorous application of PDCA cycle
- Emphasis on cause-and-effect relationships
Hoshin Kanri X Matrix

- Articulates intent of the organization’s action through linking vision, strategic objectives and actionable activities.
- Assigns high level ownership to key areas of focus
- Output is the actionable improvements that are reviewed and modified
Hoshin Kanri Steps

- Establish Organizational Goals.
- Develop 3-5 year strategic plan
- Develop annual objectives
- Deploy and roll down to departmental level
Hoshin Kanri X-Matrix

Step 1: What? Breakthrough Thinking

Step 2: How Far? This Year?

Step 3: How? Which Key Processes?

Step 4: How Much & When? Measures

Step 5: Who? Resource Deployment
Hoshin Kanri X-Matrix

Policy Deployment - X Matrix

<table>
<thead>
<tr>
<th>Improvement Priorities</th>
<th>Targets to Improve</th>
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</thead>
<tbody>
<tr>
<td>Reduce production defects by 10%</td>
<td>3 Year Breakthrough Objectives</td>
</tr>
<tr>
<td>Reduce material expenses by 5%</td>
<td>Increase sales from $1 billion to $1.4 billion</td>
</tr>
<tr>
<td>Reduce order to delivery lead time by 10%</td>
<td>Product portfolio growth of 2 new per year</td>
</tr>
</tbody>
</table>

RESOURCES

- Jim Jones
- Sally Shell
- Bob Barnard
- Cindy Cinder
- Chris Cap

Start Here

A | Reduce production defects by 30% |
B | Reduce material expenses by 15% |
C | Reduce order to delivery lead time by 25% |
D | Increase sales from $1 billion to $1.4 billion |
Hoshin & Balanced Scorecard

**FINANCIAL**
To succeed financially, how should we appear to our shareholders?

**CUSTOMERS**
To achieve our vision, how should we appear to our customers?

**VISION AND STRATEGY**

**BUSINESS PROCESSES**
To satisfy our shareholders and customers, what business processes must we excel at?

**LEARNING & GROWTH**
To achieve our vision, how will we sustain our ability to change and improve?
Linkages of BSC, Hoshin Kanri & MBO

**Balanced Scorecard**
- Company “Report Card” at a glance
- Contains macro measurements related to key success factors (e.g. productivity, revenue, etc.)
- For senior management

**Hoshin Kanri**
- Provides focus and alignment
- Measure key processes
- Reveals what, who and when

**MBO**
- Targets are negotiated between supervisor and subordinates
- For rewarding performance
### 3-5 focus strategic goals for planning year (short term, one year)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Priority</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Add three new product lines</td>
<td>✓</td>
<td>✔</td>
</tr>
<tr>
<td>Improve supplier development</td>
<td>✓</td>
<td>✔</td>
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<tr>
<td>Lean training and implementation</td>
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<tr>
<td>Establish social media network</td>
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### Focus strategies

**Gap analysis/driver elimination**

- Increase revenue/expense by 10% each year

**Strategic initiatives**

- Streamline and improve internal processes
- Create a comprehensive customer experience program

**Strategic initiatives**

- Warehouse redesign
- Create supplier scorecard
- Market research on new products

**Target and metrics**

- First pass yield > 98%
- 10% cost reduction
- On-time delivery > 95%
- Revenue increase > 10%
- Customer satisfaction ratings > 4.5 (out of 5)
- Six Value Stream Maps
- Minimum 40 hours of training per person

### Measurement and metrics (balanced scorecard)

<table>
<thead>
<tr>
<th>Customer service</th>
<th>Engineering/research and development</th>
<th>Finance and accounting</th>
<th>Human resources</th>
<th>IT</th>
<th>Logistics/purchasing</th>
<th>Marketing and sales</th>
<th>Operations</th>
<th>Quality</th>
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Summary

- Hoshin Kanri is a management tool that helps organizations map strategy to action.
- Focus and alignment of organizational objectives is a key purpose of Hoshin Kanri.
- Hoshin deployment is based on basic principles of Lean.
- Other tools such as the Balanced Scorecard can be used to complement Hoshin.