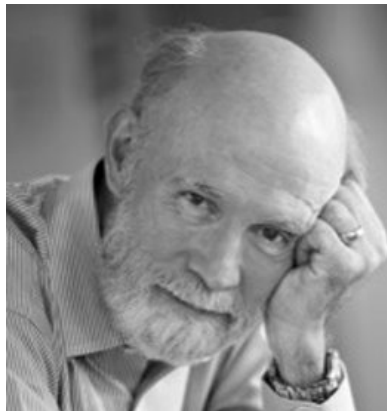


# Who We Are



**Lean Enterprise Institute**  
**lean.org**

A Non-Profit  
**Education and  
Research** Institute  
Based in Boston



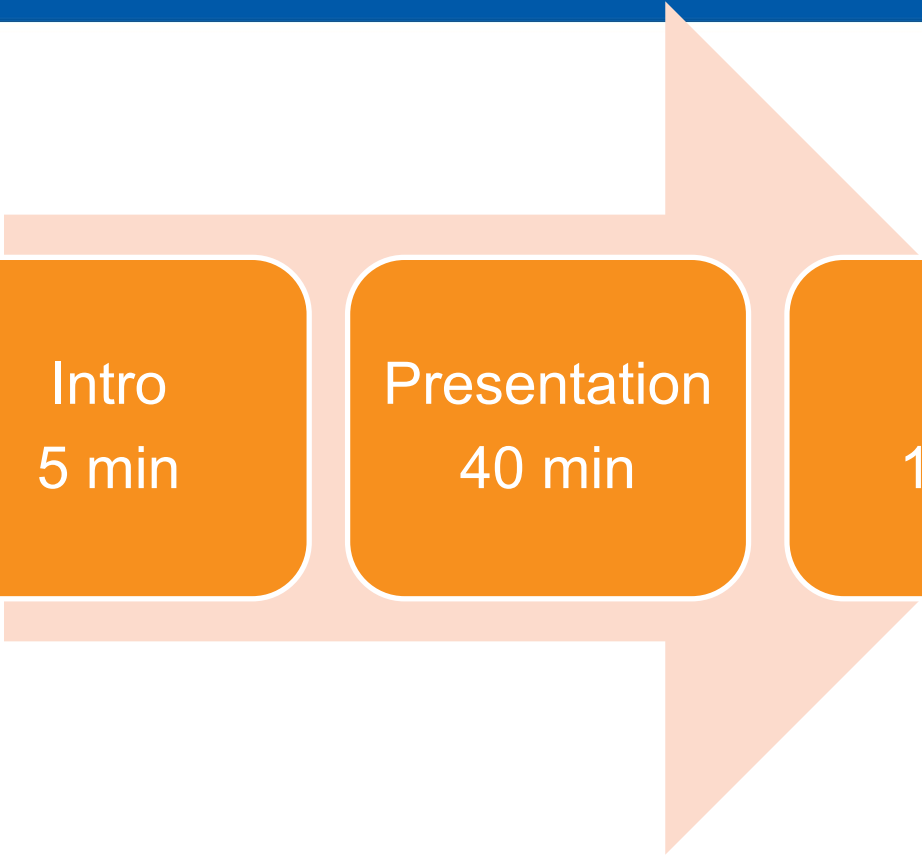
## **Our Mission:**

*Making Things  
Better Through  
Lean Thinking and  
Practice*

Founded in 1997 by  
**Dr. James Womack**




# A Quick Overview of the Webinar



Intro  
5 min

Presentation  
40 min

Q&A  
15 min



# Deploying a Lean Strategy to Achieve Goals in a Disruptive Environment

## The Power of Hoshin Kanri

Mark Reich

© Copyright 2019 Lean Enterprise Institute. All rights reserved.  
Lean Enterprise Institute and the leaper image are registered trademarks of Lean Enterprise Institute, Inc.




LEI Admin



Mark Reich

Ask questions here and vote on questions you want answered.



# **Deploying a Lean Strategy to Achieve Goals in a Disruptive Environment**

## **The Power of Hoshin Kanri**

**Mark Reich**

# Who I Am



Lean Enterprise Institute : 9 years

Sr. Coach

Toyota Motor Corporation : 23 years

*Toyota Japan : 6 years*

*Toyota Production System Support Center(TSSC)  
10 years*

*Toyota North America  
Assistant General Manager of Corporate Strategy:  
Hoshin Kanri 7 years*



# Agenda for Webinar

Toyota Case Study with  
Basics of Hoshin Kanri  
40 minutes



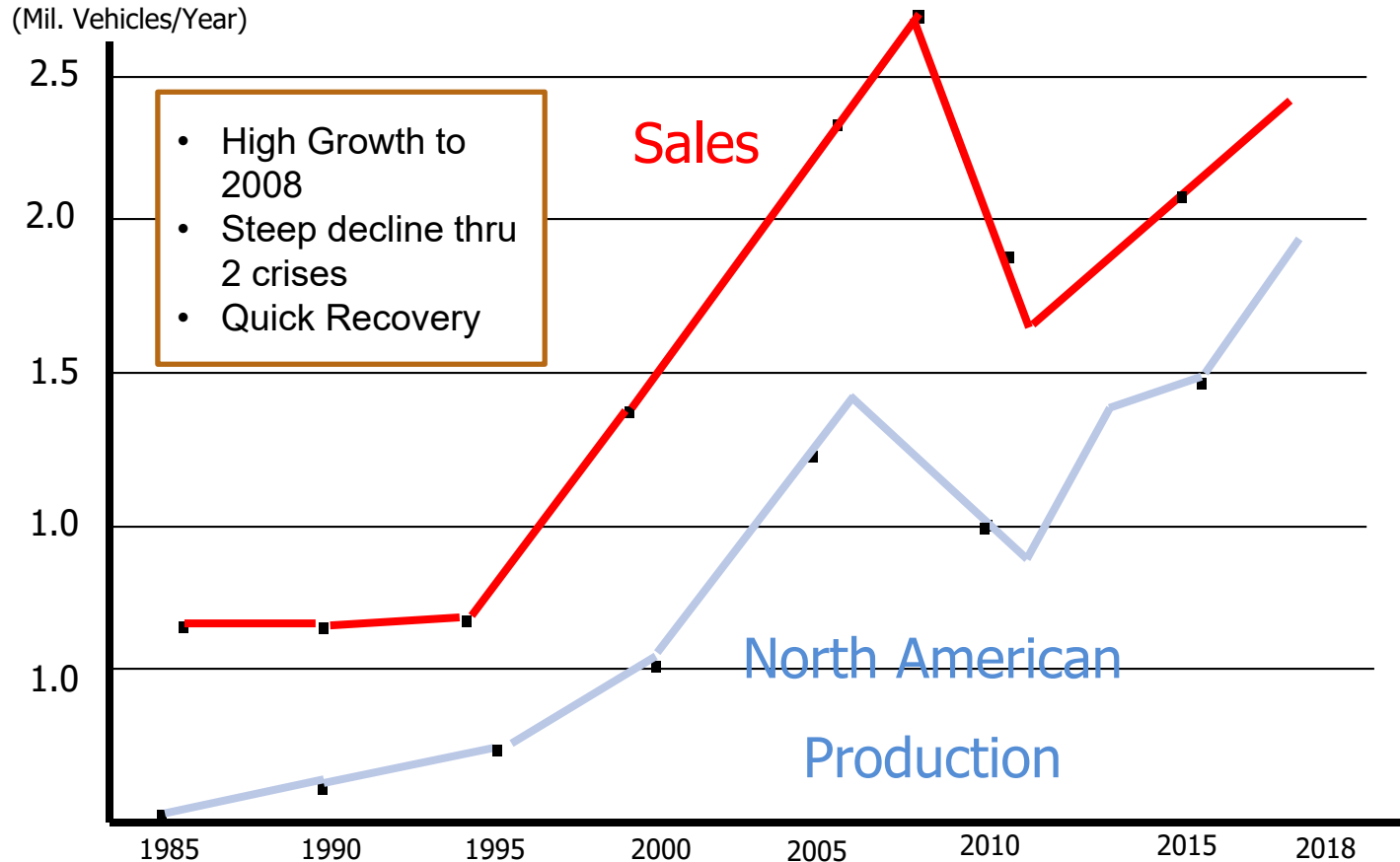
Questions & Answer  
20 minutes



# The Story of How Hoshin Kanri Helped Toyota NA

- In 2001, Toyota NA was not aligned and didn't execute as a team
- Despite that we had to tackle incredible challenges with growth
- Hoshin Kanri greatly helped us quickly strengthen our alignment and execution during its Growth Phase in the 2000's
- This set up us up well for the challenges we faced in 2008

# Toyota Sales and North American On-Shoring

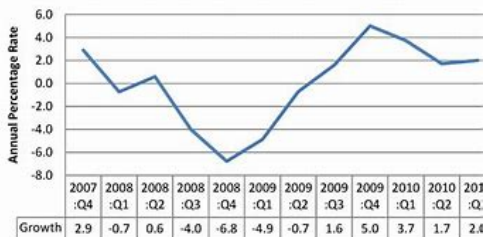




# How Did Toyota Recover So Quickly?

Toyota had impact events in 3 years:

## Great Recession



## Supply Chain Disruption



- Toyota recovered its production and sales in two years
- How did it do that?
- Hoshin Kanri(Strategy Deployment) was a major factor

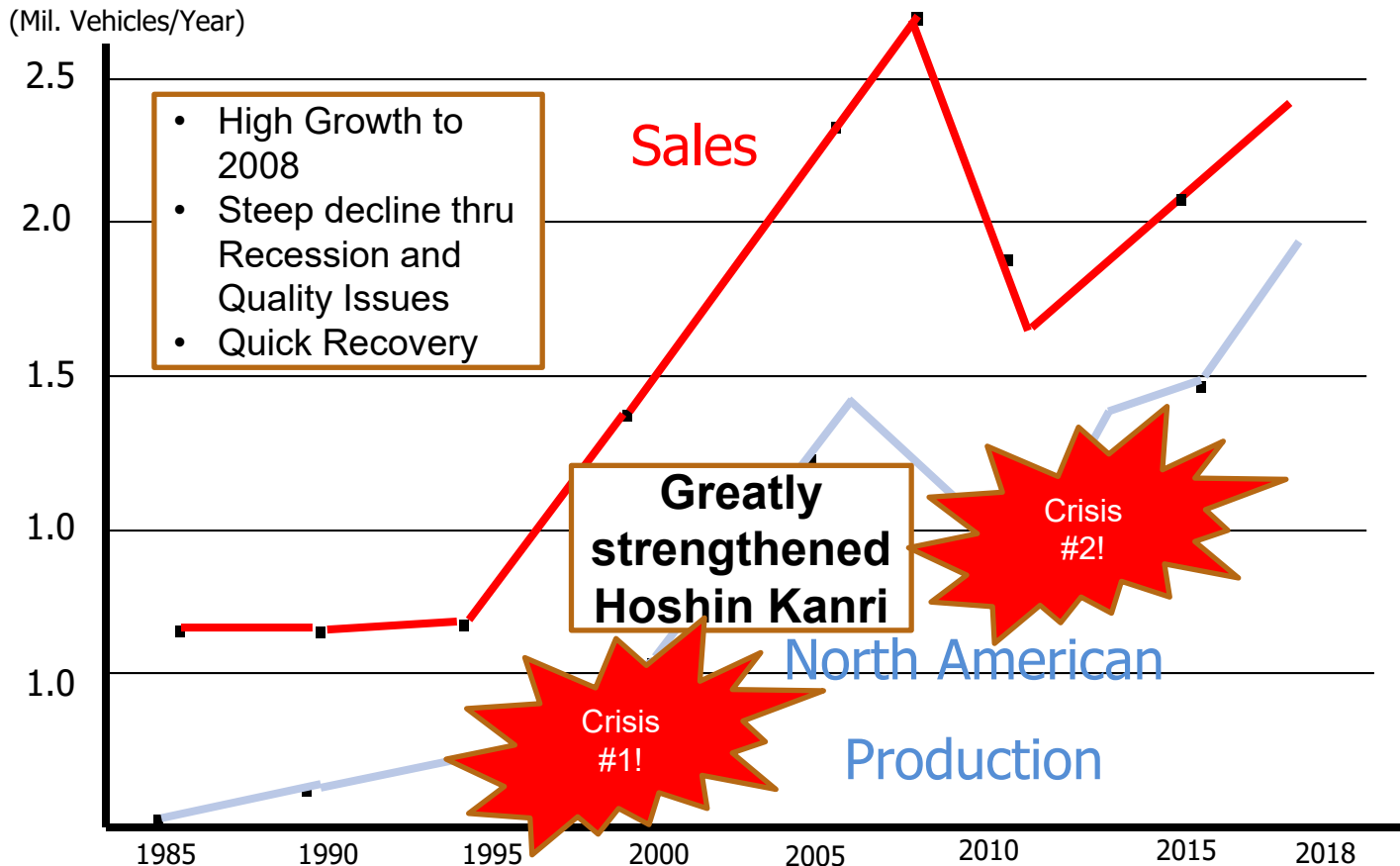
# Toyota's Big On-Shoring Effort

## Produce Vehicles in North America

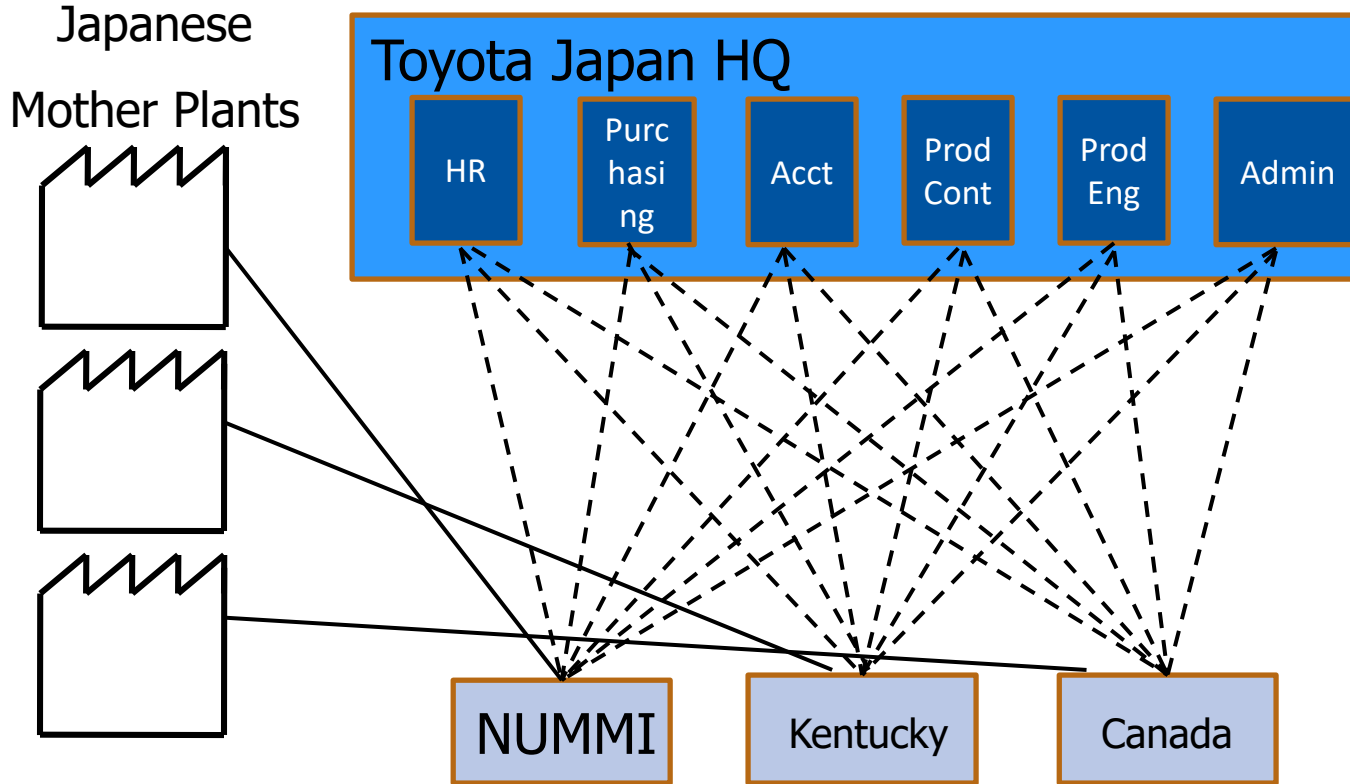
- Doubled vehicle production from 1998~2008
- Newly established more than 1 million engine production annually
- Added capacity for engine blocks and transmission
- Hired over 20,000 new Team Members



# Toyota Sales and North American Production On-Shoring



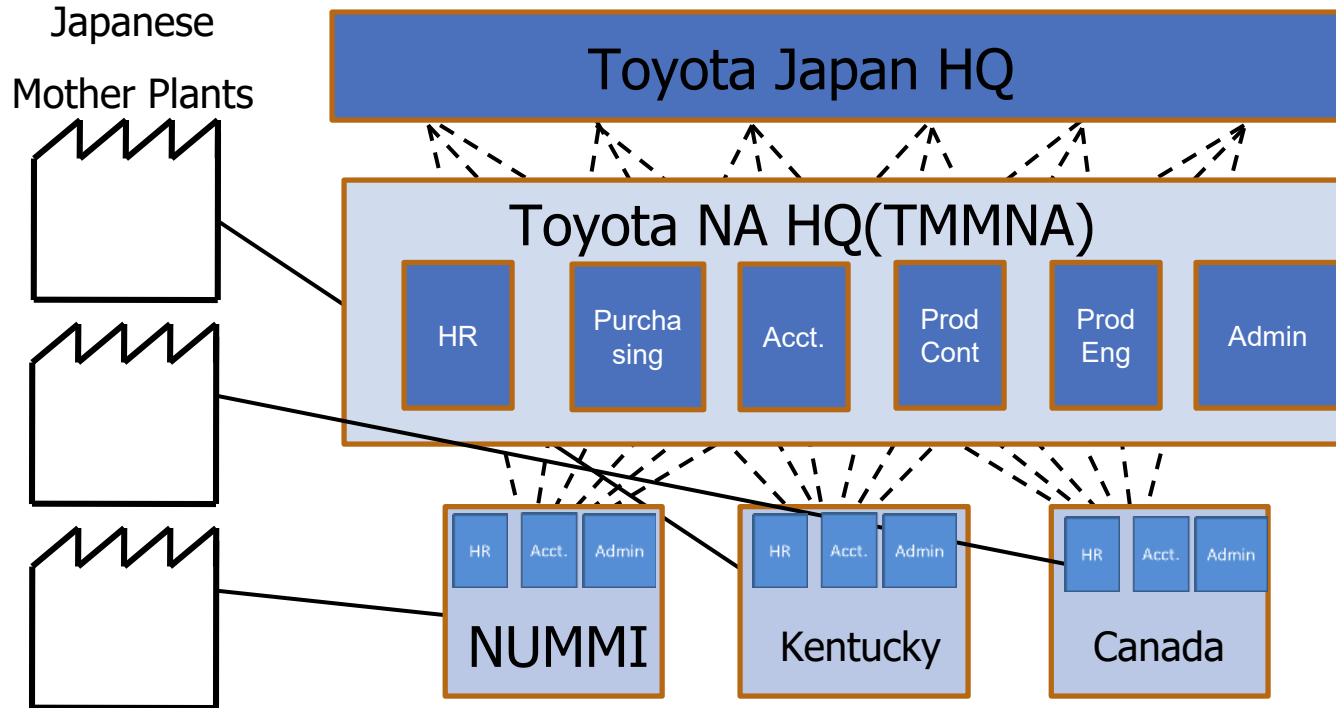
# Toyota Started NA Production With Strong Support from Japan(84-96)



Toyota North America Plants receive independent direction from Mother Plants and HQ functions

# Situation Became More Complicated(96~02):

- Process of decision-making very inefficient
- Responsibilities not clear between NAHQ and plants



# Process to Build Horizontal Alignment Not Defined(2002)

Isolated

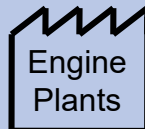
Toyota  
Manufacturing  
HQ  
(TMMNA)

Independent Siloes without Common  
Strategic Direction

Quality



Cost



People



Safety



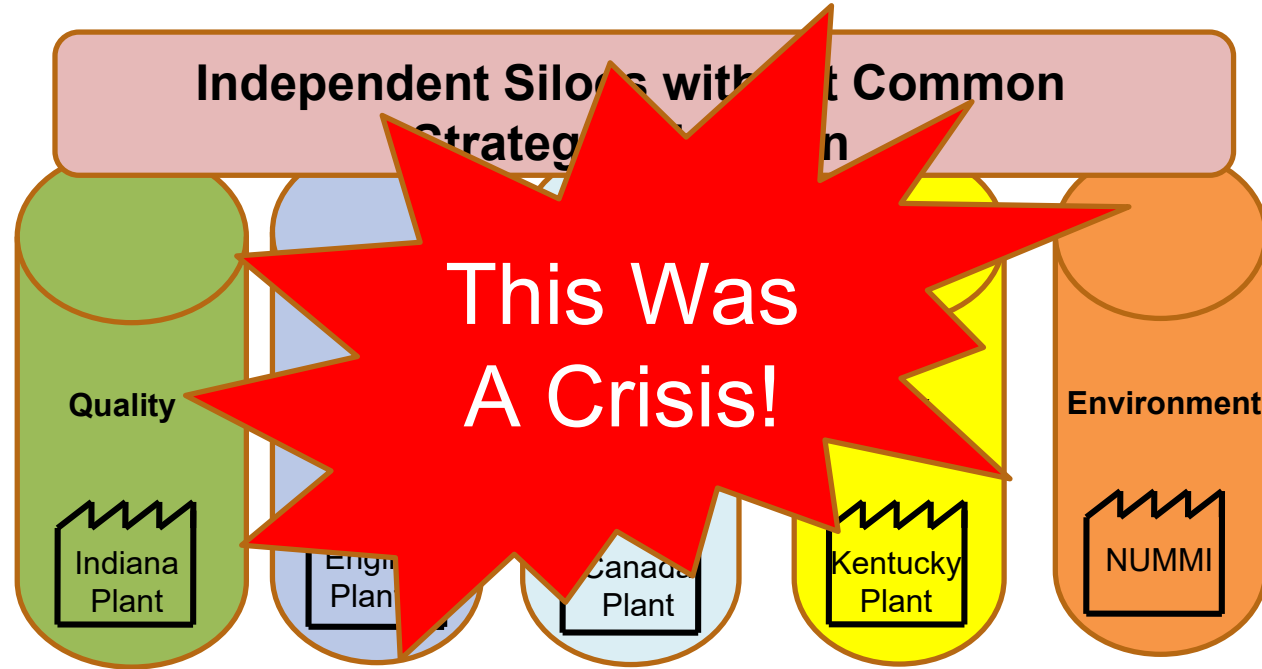
Environment



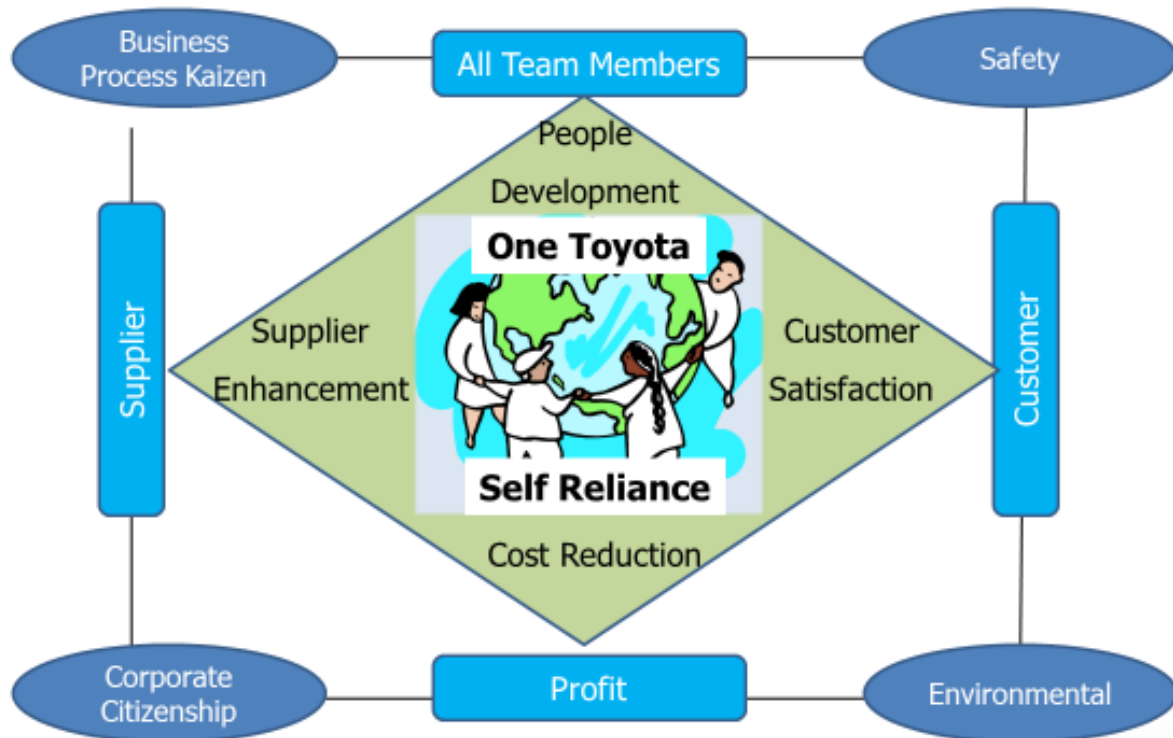
# Process to Build Horizontal Alignment Not Defined(2002)

Isolated

Toyota  
Manufacturing  
HQ  
(TMMNA)



# Established NAM 2010 Vision

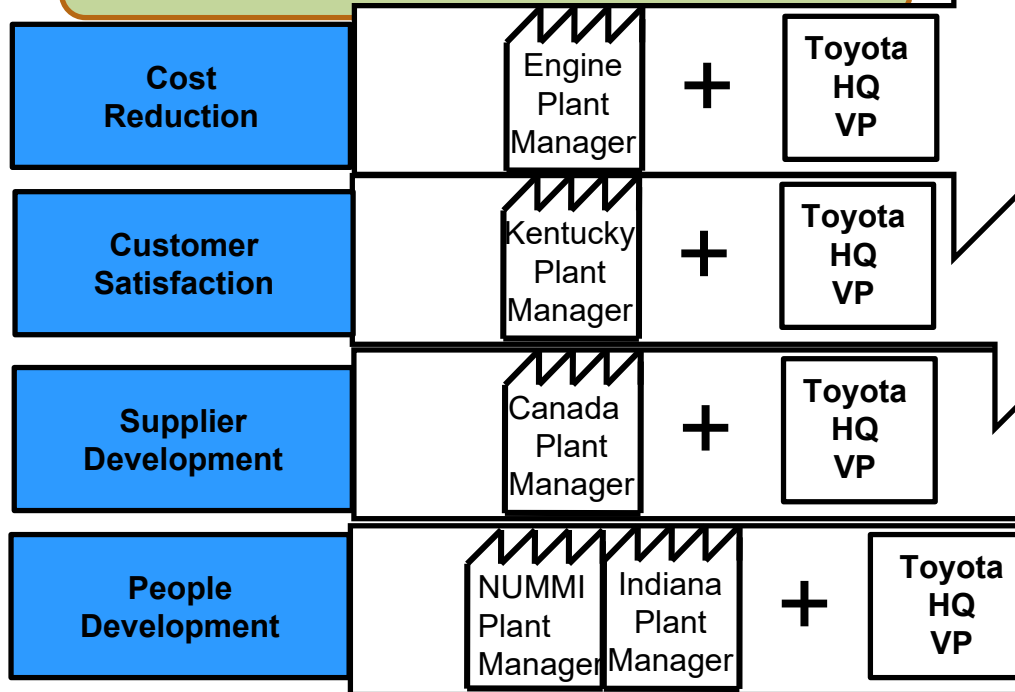


*The Most Admired Automaker in North America*

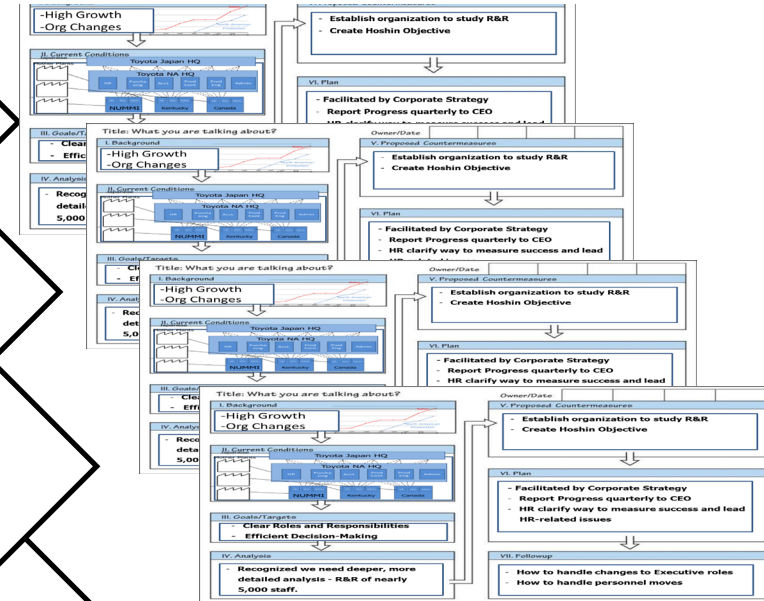


# After Condition in Toyota North America(2003)

## Clear Process of Collaboration



## Strategic A3s for Each Objective





# Strengthening the Toyota Way

FROM	TO
MANY DISPARATE OBJECTIVES	FEW ALIGNED OBJECTIVES
INDIVIDUAL ISOLATED ISSUES IN PLANTS	DEFINED PROBLEMS TO SOLVE AS NORTH AMERICA
ISOLATED PROGRAMS	CROSS FUNCTIONAL SUPPORT / LEADING PAIRS
INDIVIDUAL PLANT TARGETS	INTERDEPENDENT PERFORMANCE MEASURES
HIGH LEVEL GOALS	SPECIFIC / ACTIONABLE COUNTERMEASURES
DISCONNECTED PEOPLE DEVELOPMENT	20,000 PROBLEM SOLVERS



## Crisis #2 - 2008 Crisis and How Hoshin Kanri Helped

### Recession and Quality Crisis at the Same Time

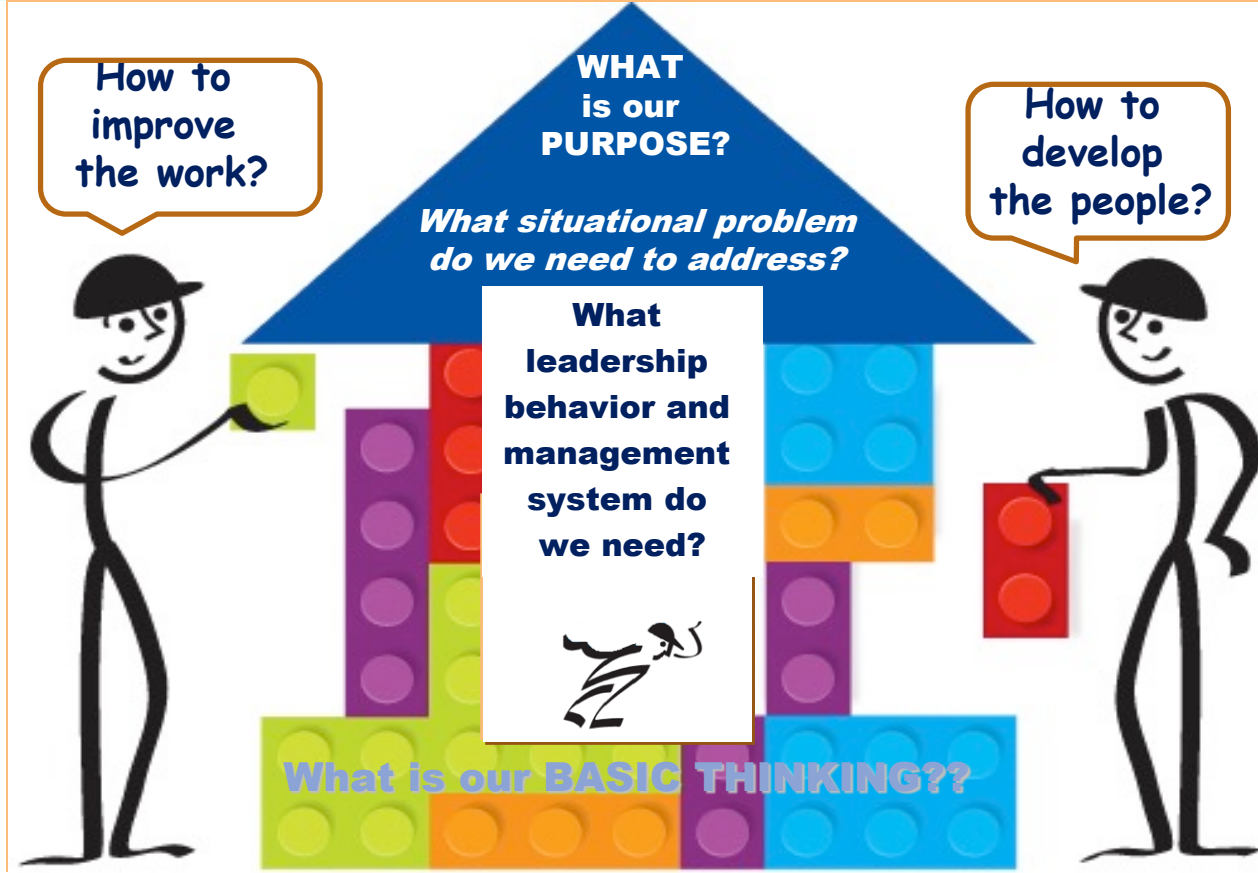
- Organization of 40,000 people shifted its focus in several months – used same structure I just explained
- Laser focus on **Quality** in all functions
- Additional focus on **Safety** to show all Team Members Toyota cared
- Did not lay off anyone



# Hoshin Kanri

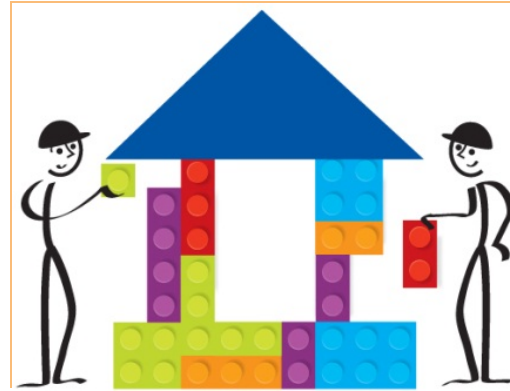
## The Basic Thinking Behind the Story

# Lean Transformation Framework



# LTF Questions

1. What is the *purpose*, what *value is being created*, or what *problem is being solved*?
2. How is the *work being done* and *improved*?
3. What *capabilities are required*? How are they *being developed*?
4. What *management system* and *leadership behaviors* exist?
5. What is the *basic thinking*?



# Why do organizations struggle to sustain a transformation?

**Management is not aligned to organizational purpose!**



- People at all levels – from the CEO to the front line worker  
-must feel aligned and connected to all levels of the organizational purpose
- We need a mechanism – a management system – to align people to purpose



STRATEGY EXECUTION

## Why Strategy Execution Unravels—and What to Do About It

by Donald Sull, Rebecca Homkes, and Charles Sull





# 5 Myths of Strategy Execution

Myth 1: Execution Equals Alignment

Myth 2: Execution Means Sticking To The Plan

Myth 3: Communication Equals Understanding

Myth 4: A Performance Culture Drives Execution

Myth 5: Execution Should Be Driven From The Top

Reference: Harvard Business Review, March 2015 Issue

# 5 Myths of Strategy Execution

## Myth 1: Execution Equals Alignment

“When Managers cannot rely on colleagues in other functions or units, they compensate with a host of dysfunctional behaviors – duplicate effort, let promises to customers slip...”

# 5 Myths of Strategy Execution

## Myth 2: Execution Means Sticking to the Plan

“No Gantt Chart survives contact with reality”

“Only 20% of managers say their organizations do a good job of shifting people across units to support strategic priorities.”

# 5 Myths of Strategy Execution

## Myth 3: Communication Equals Understanding

Part of the problem is that executives measure communication in terms of inputs (the number of e-mails sent or town halls hosted) rather than by the only metric that actually counts – how well key leaders understand what's communicated”

## 5 Myths of Strategy Execution

### Myth 4: A Performance Culture Drives Execution

“If Managers believe that hitting their numbers trumps all else, they tend to make conservative performance commitments.”

## 5 Myths of Strategy Execution

### Myth 5: Execution Should Be Driven from the Top

“Frequent and direct intervention from on high encourages middle managers to escalate conflicts rather than resolve them...”



# What is Lean's Alternative?

- How do we build alignment to corporate objectives across the organization?
- How do we build capability for bottom-up innovation (kaikaku)?
- How do we drive towards aligned objectives, not merely towards targets?
- How do we align purpose to people and the culture?



It ***IS*** about:

Understanding a way of  
thinking & working



It ***IS NOT*** about:

What format or tools to use





1. Ties frontline problem-solving (A3, etc.) to organizational objectives
2. Aligns leadership vertically & horizontally to organizational objectives

# What is Hoshin?

## A strategic framework aimed at:

- Creating an organization capable of sustained high performance
- Producing results through structured PDCA thinking

## Defines structure and standards for:

1. Establishing & executing strategic initiatives throughout an organization.

**Focuses on Innovation**

**Supported by  
Continuous Daily  
Improvement**

2. Developing capability through strategic delegation of responsibility & subsequent self-development.

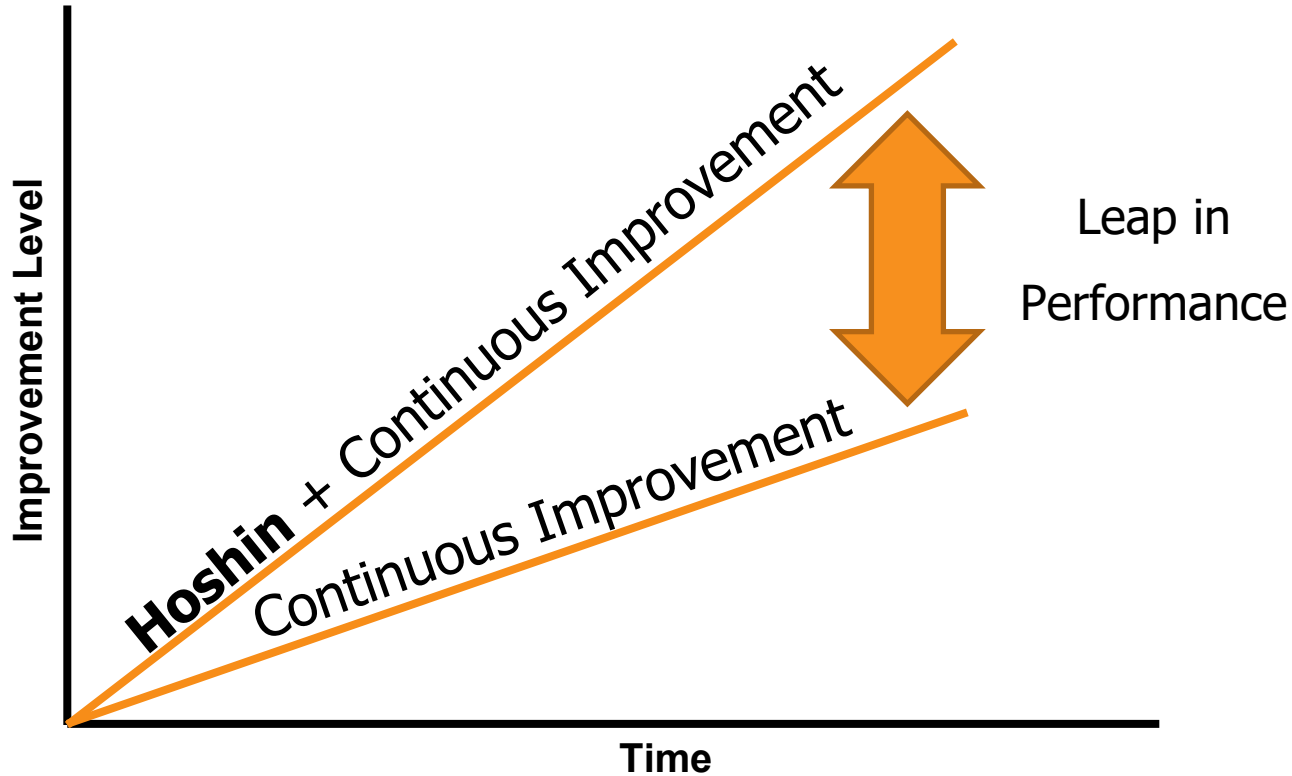
**Drives creativity**



# Hoshin Key Points

- Focuses organization on a few key objectives
  - items for innovation
- Establishes rigorous PDCA cycle for innovation & continuous improvement
- Engages & motivates people by clarifying & defining responsibilities to achieve objectives at each level

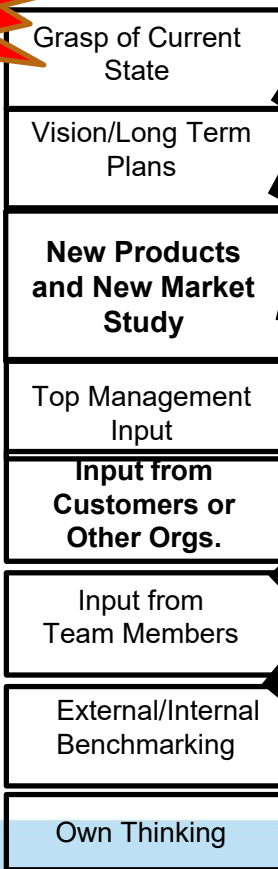
# Relationship of Daily Management & Hoshin



# Hoshin Inputs & Outputs

What is  
Our Crisis?

## Inputs



## Hoshin

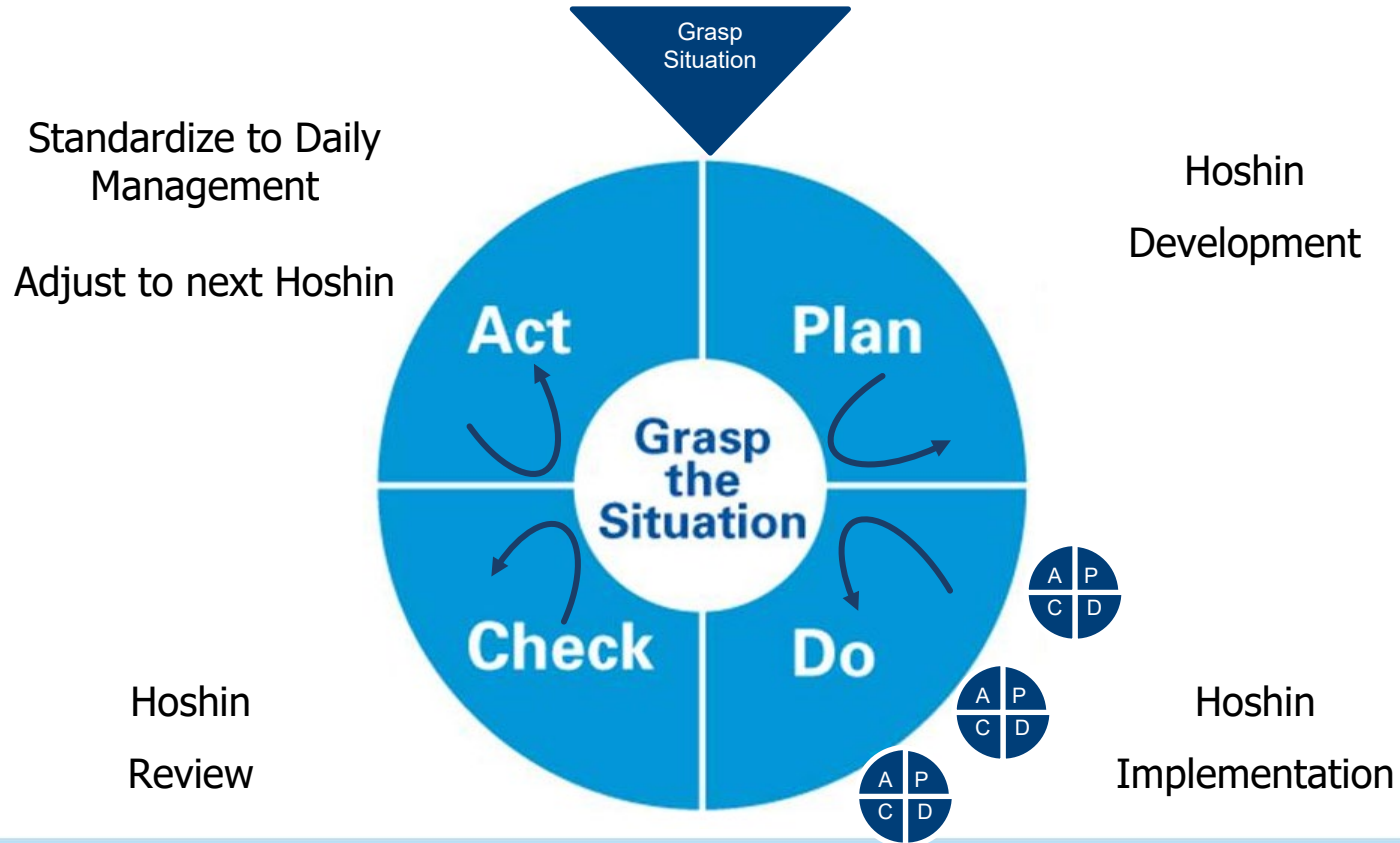
- Business Objectives
- Activity Plans

## Outputs

- New Processes
- New Products & Services
- Process Improvement
- People Development

Improved  
Business  
Results

# Hoshin is Company-Wide Problem-Solving

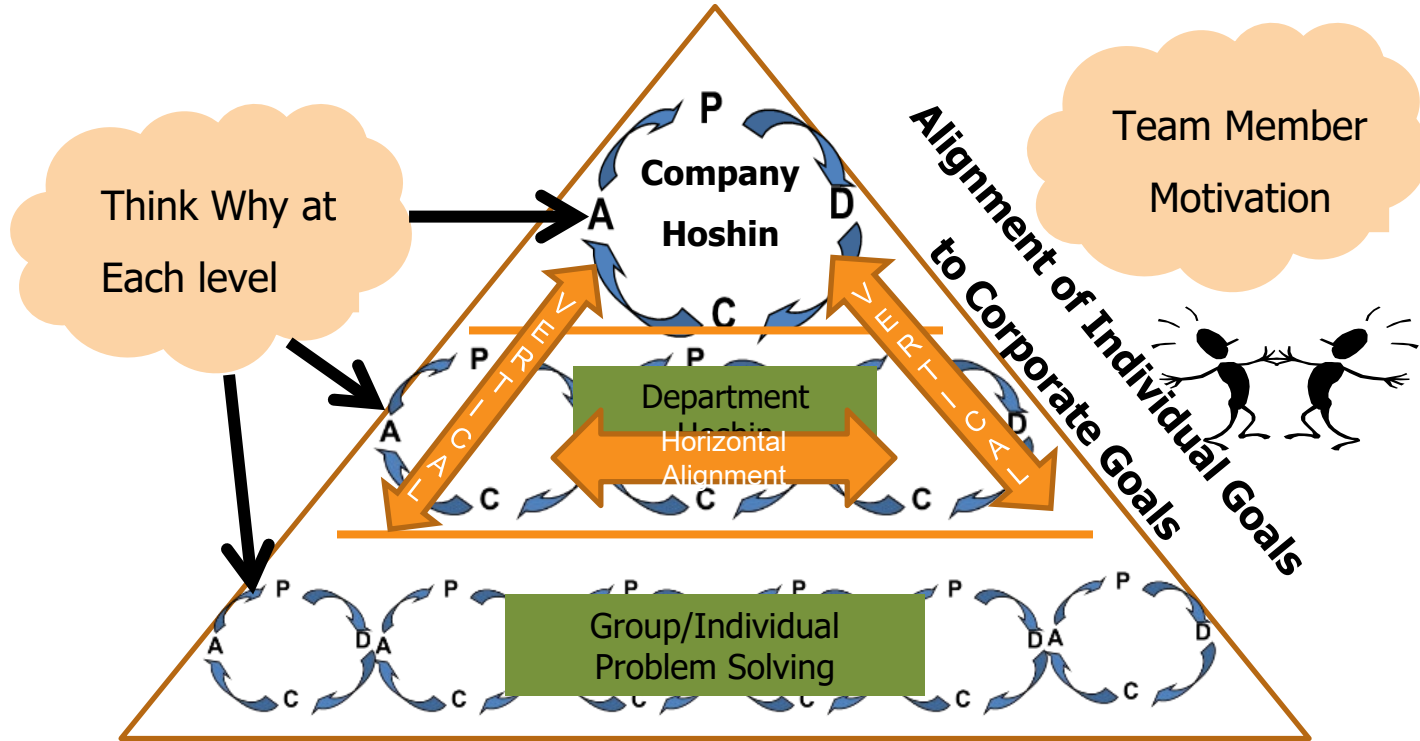


# Traditional Strategy vs. Hoshin

Attribute	Traditional	Hoshin
Purpose	Executive team defines and cascades goals usually based on financial metrics	Developed both top down and bottom up –looks at both process and results
	Departmental interpretation of priorities and disconnect with purpose	Common understanding of priorities that connects each person to purpose
Process	Executives mostly collaborate with the strategy function and then deploy it to line management	Executives collaborate with line management to determine direction
	Primarily top down	Top down, bottom up and horizontal (Catchball process)
	Process to address problems is left up to individual initiative and methodology	Scientific problem solving
People	Employee development is structured but not connected to work or business goals	Hoshin assignments are designed as developmental opportunities linked to the business
	Strategy expertise concentrated mostly in the strategy function	Strategy driven by collaboration between line management and senior executives and supported by the strategy function

# Hoshin

Breaking Down Company Problems & Solving Them at Each Level





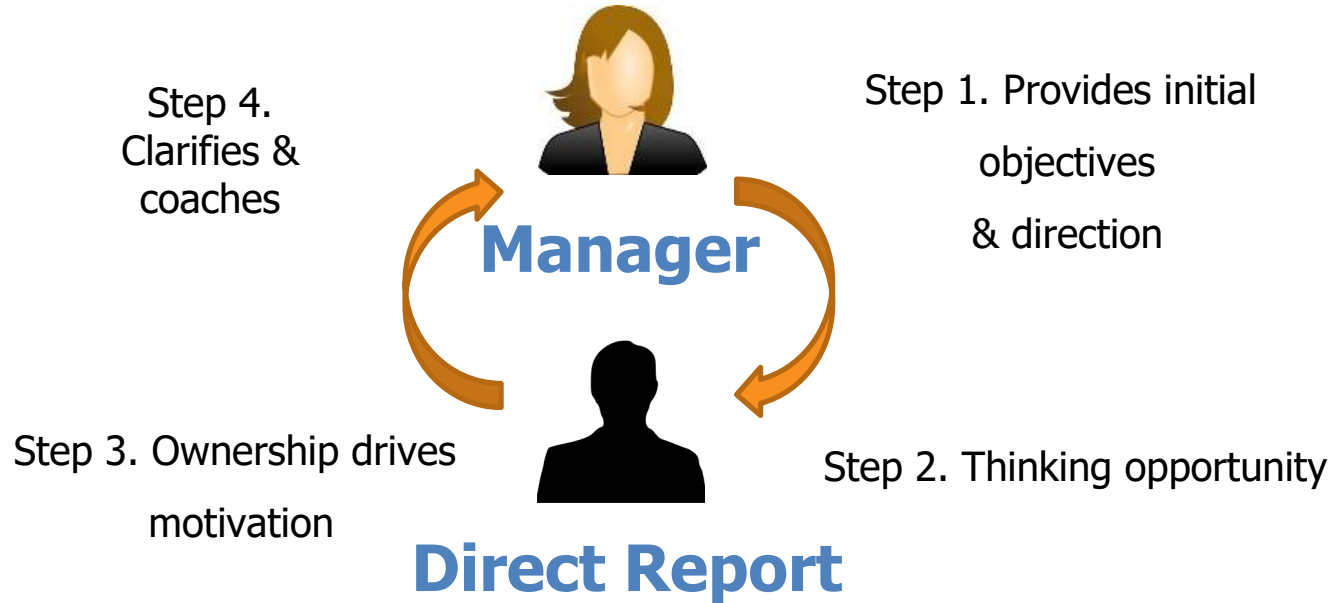


# Catchball

- **Purpose**
  - Develops people's capability to generate bottom-up ideas
  - Aligns team member work to Hoshin objectives through deep problem-solving (PDCA thinking)
- **How it works**
  - Planning exists at each level in the organization
  - Each level breaks down higher-level Hoshin and goes through its own PDCA cycle
  - Catchball occurring both vertical & horizontal
    - top-down & bottom-up

# Purpose of the Catchball Cycle

## -Develop Capability -Create Self-Sufficiency



Are you looking for a structured framework to execute strategy that engages *all levels* of your organization?

**Join us for a live online workshop:  
Hoshin Kanri (Strategy Deployment) -  
Aligning and Executing on Your  
Organizational Objectives**

Starts June 22nd.

Your Lead Coach:  
Senior coach at LEI,  
at Toyota for 7 years.



**Sold Out**

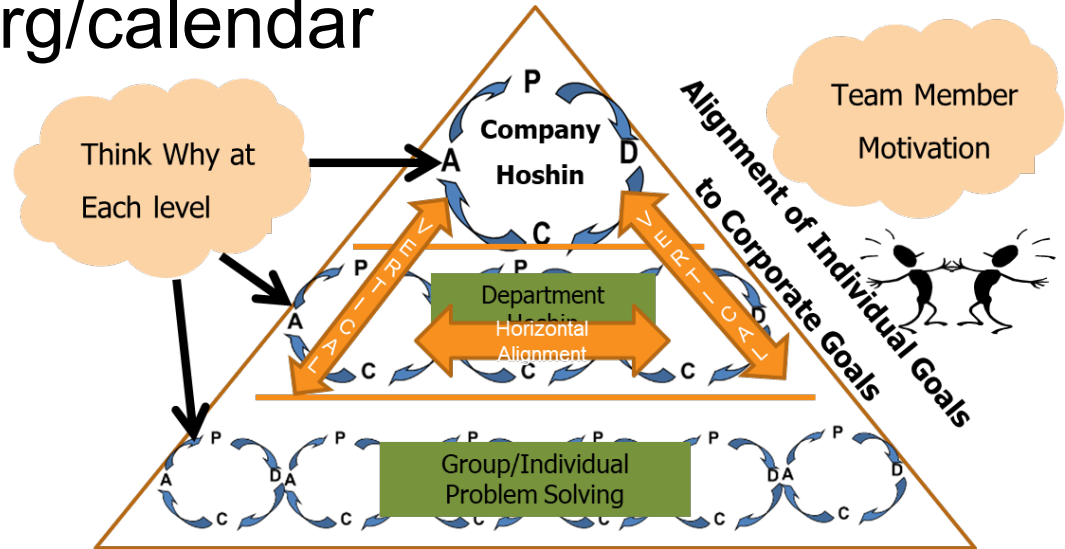
Lean Enterprise Institute

**Learn more and register at  
[lean.org/calendar](https://lean.org/calendar) »**

- 12 hours of live, online interaction, hosted over 9 weeks
- Opportunities to practice discrete skills with live feedback
- Assignments between live sessions to begin applying the lessons
- Feedback from facilitators and peers

# LEI adds New Hoshin Kanri Remote Class

- Runs July 20~Sept 14
- Same structure as June class
- Nine 1~2 hour sessions
- Available on [lean.org/calendar](https://lean.org/calendar)





# Q&A