BREAKTHROUGH
Lean Implementation & Training Resource Publication
Brought to you by Lean Manufacturing Solutions Partnership, Inc.

PLANNING YOUR LEAN JOURNEY

By Aaron Styles

THE ANSWER: HOSHIN KANRI (*Ho'-Shin Con-Ree'*)

Hoshin what? Many organizations who are years into their Lean Journey have never heard the term, yet it is the heart of the Toyota Production System. Hoshin Kanri helps ensure that an organization works on the right things in order to get the expected results. That sounds attractive until I mention that an organization usually needs to turn their entire approach to managing manufacturing upside down; product development, back-office business processes… indeed, the entire enterprise needs to be managed differently. Can you get results without it? Sure, albeit limited results. As an example, SMED will work as a stand-alone process. A mass manufacturer can use SMED to reduce changeover time and therefore make more parts on the same equipment, amortizing the capital cost of the equipment over more parts, thus reducing cost per piece. However, with Hoshin Kanri, it might become evident that it is more important to use the changeover time reduction to reduce batch size and change over more often, leading to greater flexibility to meet customer demand and lower inventory carrying cost. So the tool without the holistic approach of Hoshin Kanri can get some results, but likely won't lead to the best result and the greatest return on investment.

So, what is Hoshin Kanri? It is a Japanese term that means setting and controlling direction. Some translate it as "Policy Deployment", but a more accurate term is "Policy Management". There are three basic components of Hoshin Kanri. The first is setting goals, the second is creating a detailed plan to meet the goals, and the third is putting in place a system to ensure the detailed plan is executed in the planned timing, with the planned results.

THE TYPICAL APPROACH

In contrast, what typically happens in traditional mass manufacturers is that plant level goals are established for a variety of areas. Many organizations do a good job of "deploying" those goals down to most levels of the organization, but rarely do they make it all the way down to the individual level. In fact, it is most often very difficult to even understand how an individual employee's goals support the plant's goals. Therefore, there is no comprehensive, detailed plan outlining how goals at all levels are going to be met. Very rarely is there a system in place to ensure that the plan is executed on time with the desired results.

As an example, let's look at how financial goals are typically handled. Financial goals are usually stated in a business plan or budget. Numerous accounts have a yearly spending target. If all accounts stay within the spending target, the plant should meet its profit goals. Each month, the status of each account is reviewed and any variances are reported. Managers take action to bring accounts in the red back in line, usually through draconian measures. This is why in many companies you cannot order office supplies or go on any business trips during the last couple of months of the year. This is also why many arbitrary cuts are made in areas such as labor and inventory.

Jason Manarchuck Director of New Business Development
11212 Nautical Drive. Knoxville, TN 37934 PHONE: 865.776.9159 FAX: 865.588.1814
www.LMSPI.com Jason@lmspi.com

BREAKTHROUGH
Lean Implementation & Training Resource Publication
Brought to you by Lean Manufacturing Solutions Partnership, Inc.

PLANNING YOUR LEAN JOURNEY

By Aaron Styles

THE TYPICAL PROBLEMS

The problems with the above method are manifold. First is the frequency of review. If you measure progress monthly, it is equivalent to a doctor doing an autopsy asking, “Why did the patient die?” In contrast, if you measure progress daily, or every hour, or every cycle, it is equivalent to a doctor checking a patient’s vital signs asking, “Why is the patient sick?” If you only check progress once a month, chances are that by the time you detect a problem, you will be so far removed from it that either (1) you will be unable to accurately determine its cause, or (2) it will be terribly expensive to fix.

The second problem is that of monitoring progress towards goals without having a proactive plan for how to meet them. There are always gaps – areas where you know it will be a challenge to stay within budget. Communicating those gaps is not sufficient. Once identified, a proactive plan must be developed for how to close those gaps and the plan must be executed relentlessly to ensure that the gap actually closes as planned. Without this type of planning, it is difficult to answer questions such as: Which projects are most important? Where do resource limitations exist? Where do I have excess resources? What is the value of each initiative? Are all my initiatives and projects aligned? Do I have any duplication of effort?

The third problem flows from the first two. When you don’t have an “early warning system” and you don’t have a plan for closing gaps, you are going to end up in a position where your only alternative is draconian cuts. It’s sort of like being overweight, needing to lose 20 pounds…today. So you decide to cut off your arm. Now your arm most likely has some fat in it, but it also has bone, muscle, blood vessels, nerves, etc. In addition, there are a lot of really neat things you can do with that arm. Once you cut it off, though, you lose the ability to do those really neat things. In contrast, if I know I am overweight and need to lose 20 pounds in a year, I can come up with a plan of diet and exercise that will help me remove the fat from all over my body, keeping intact those parts of the body that are useful. I can get on the scale daily to measure my progress. If I see that I am not on track to lose the 20 pounds by the required date, I can make further adjustments to my lifestyle. This is the key difference between Lean and traditional accounting-driven cost reduction. Accounting-driven measures tend to cut cost, sometimes quite arbitrarily. Lean manufacturing focuses on elimination of the waste that causes the cost, and then removes the resources that were in place to cover up the waste. The former can cause you to remove some value-added resources. The latter always removes waste. Next issue we’ll review the application of how to lead Hoshin Kanri to drive your Lean Journey.

Stay tuned!
This is part 2 of a 3 part series on Planning the Lean Journey. It’s time to uncover the principles of LEADING HOSHIN KANRI in our next issue, more value-add insight then.

Jason Manarchuck Director of New Business Development
11212 Nautical Drive. Knoxville, TN 37934 PHONE: 865.776.9159 FAX: 865.588.1814
www.LMSPI.com Jason@lmspi.com