

Welcome to

Strategic Planning – Hoshin Policy Deployment

Southern California Quality Conference

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Frank-G. Adler

- M.S. Mathematics & Physics, Freie University of Berlin – Germany
- Ph.D. Operations Research & Industrial Economics, Helsinki University of Technology – Finland

Nokia Mobile Phones → 1994 – 2005

- Specialist, Global Operations & Supply Chain Development – Finland
- Manager, Operations & Quality Development – Fort Worth, TX
- Director, Lean Six Sigma & Quality Americas – Irving, TX
- General Manager, Mexico Operations – Reynosa, Mexico
- General Manager, US Operations – Fort Worth, TX

Magellan Navigation → 2005 – 2010

- Vice President, WW Quality & Customer Support – San Dimas, CA

Angelica Corporation → 2010 – 2011

- Corporate Director, West Coast – Operations, Logistics & Services

Operational Excellence Consulting (OEC) LLC → 2012 – ...

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Strategic Planning & ISO 9001 QMS Standard

ISO 9001:2015 has brought to the world of management systems a great synergy between strategic planning and quality management.

- Clause 4.1: The organization shall determine external and internal issues that are relevant to its purpose and its strategic direction and that affects its ability to achieve the intended results of its quality management system.
- Clause 5.2: Top management shall establish, implement and maintain a quality policy that is appropriate to the purpose and context of the organization and supports its strategic direction.
- Clause 9.3: Top management shall review the organization's quality management system, at planned intervals, to ensure its continuing suitability, adequacy, effectiveness and alignment with the strategic direction of the organization.

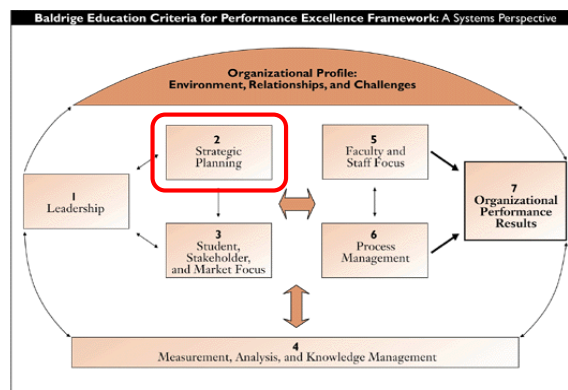
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Strategic Planning & MBNQA

Some organizations are using Business Excellence Models like the Malcolm Baldrige Criteria to assess themselves against a well established performance excellence framework and benchmark.



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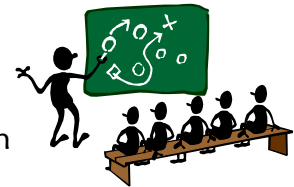


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Strategic Planning & Deployment

Strategy is an expression of what an organization intends to do to get from a current state to a future state. Strategy is often expressed in terms of a vision & mission statement, goals & objectives, and initiatives & projects. It is usually developed at the top levels of the organization, but executed by lower levels within the organization.

- Only 5% of the workforce understands their company strategy.
- Only 25% of managers have incentives linked to strategy.
- 60% of organizations don't link budgets to strategy.
- 86% of executive teams spend less than one hour per month discussing strategy.



Source: *Balanced Scorecard Collaborative*

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Strategic Planning & Deployment

Strategic Planning is a process whereby an organization makes choices about:

- Why do we exist ?
- What are our major goals and objectives ?
- In which markets will we compete ?
- Who will be our Customers ?
- How will we differentiate ourselves from our competition ?
- What resources (people, processes, technology) do we need for a successful future ?
- ...



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Strategic Planning & Deployment – The Non-Strategy Issue

Lack of a proper strategy is a serious problem that can result in ad hoc improvements that don't contribute to the organization's overall needs.

- **Non-Strategy #1: 'The Wall Placard Strategy'**

Some organizations will go to great lengths to create great Vision and Mission statements, but then their planning stops there.

- **Non-Strategy #2: 'The Stratospheric Strategy'**

These strategies start in the clouds and they never come down, making them extremely difficult to make actionable. The result will usually be some nice slick-looking verbiage for the organization's website and annual reports.

- ...

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Strategic Planning & Deployment – The Non-Strategy Issue

- **Non-Strategy #3: 'The KPI Strategy'**

When asked to present their strategies, some organizations excitedly pull out a beautiful PowerPoint slide that states their goals in terms of a metric. Examples are 'double revenue in three years' or 'achieve 20% margin by 2013'. This is not a strategy.

- **Non-Strategy #4: 'The Govern-less Strategy'**

Some strategies are actually quite well constructed, but they miss one crucial element: a governance process. A strategy is worthless unless it has a clear process on who will lead the reviews, what specifically will be covered and what the frequency will be.

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Strategic Planning & Deployment – Policy Deployment

Hoshin-style strategic planning departs from other strategic planning methods in four important ways:

1. The Degree of Focus and Prioritization
2. The Use of specialized Planning and Process Improvement Tools
3. The Involvement of all Levels of the Organization in defining the Plan
4. The Rigor of the Reviews

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Hoshin Policy Deployment – The Process



- Organizing the Process
- Current State & SWOT Analysis
- Vision Statement & Vision Elements
- Strategic Goals & Objectives
- Key Performance Indicators
- Strategic Initiatives & Tactics
- Strategic Projects & Activities
- Management Review Process



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Strategic Planning & Deployment – Terminology Part I

Mission: A brief description of a company's fundamental purpose. A mission statement answers the question, "Why do we exist?".

Vision: An overall statement of how the organization wants to be perceived by its stakeholders over the long-term (3 to 5 years).

Strategic Goal: A statement of an overall achievement that is considered critical to the future success of the organization. Strategic goals express where the organization wants to be.

Strategic Objective: What the organization must do to reach its strategic goals! What specifically must be done to execute the strategy; i.e. what is critical to the future success of our strategy? Another term for objectives within a strategic planning framework is to call these "enabling goals", since they will contribute to the achievement of the larger strategic goal they enable.



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Strategic Planning & Deployment – Terminology Part II

Strategic Initiative: Strategic initiatives are the means through which a vision and strategic goals & objectives are translated into practice. Strategic initiatives are collections of finite-duration discretionary projects and programs, outside of the organization's day-to-day operational activities, that are designed to help the organization achieve its targeted performance.

Metrics or Key Performance Indicator: A way of monitoring and tracking the progress of strategic goals & objectives. Metrics can be leading indicators of performance (leads to an end result) or lagging indicators (the end results).

Target: An expected level of performance or improvement required in the future.

Programs, Projects & Activities: Major programs or projects that must be undertaken as part of an strategic initiative in order to meet one or more strategic goals & objectives.



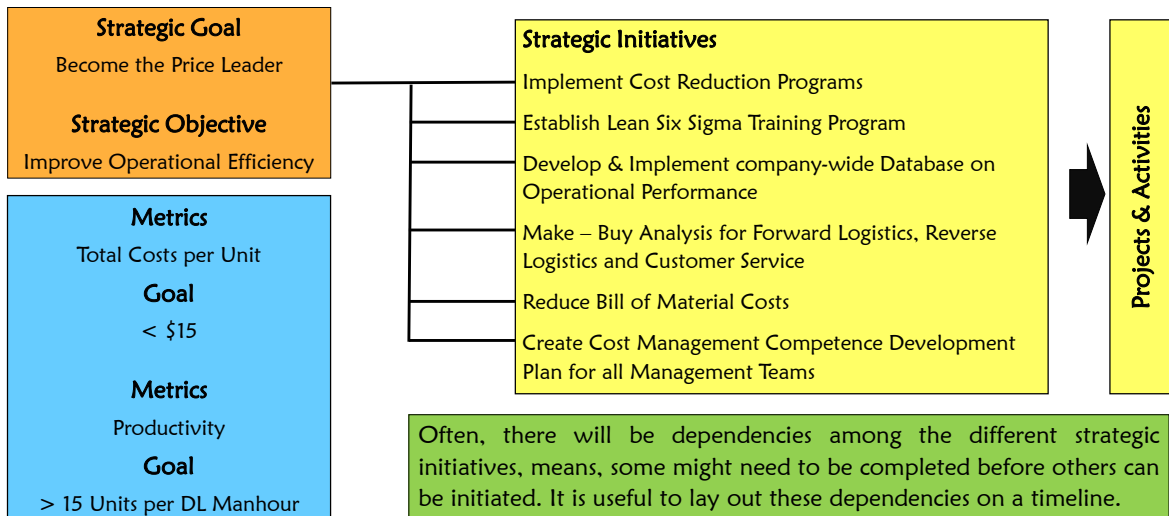
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Strategic Planning Terminology – Examples



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Strategic Planning & Deployment – Hoshin Kanri

Hoshin Kanri 方針管理

Direction – Compass – Policy Management – Control

- Hoshin Kanri
- Hoshin Planning
- **Policy Deployment**



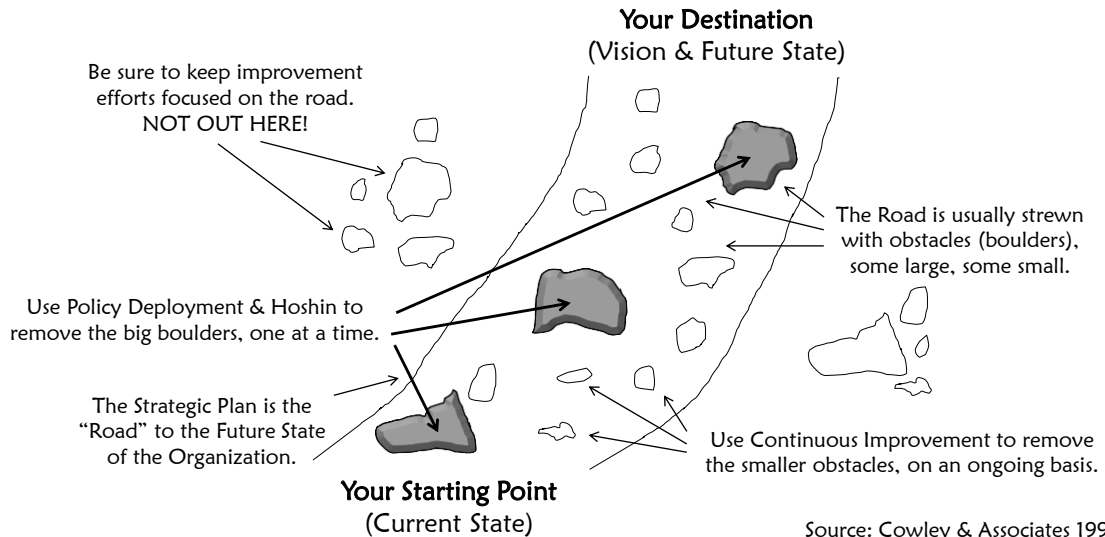
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Policy Deployment & Hoshin – The “Road” Metaphor

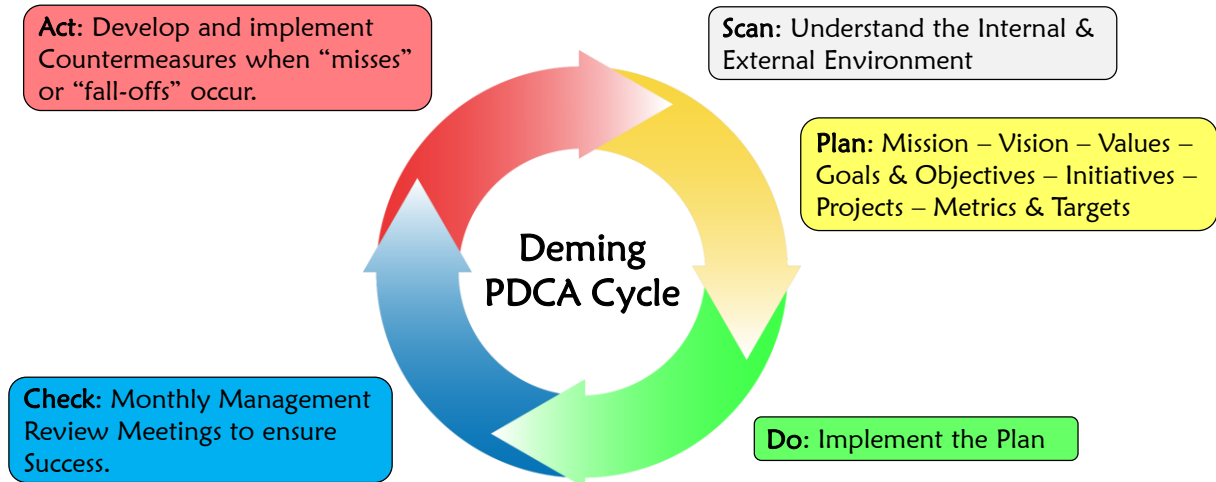


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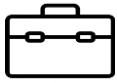
Policy Deployment – “Plan – Do – Check – Act”



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Policy Deployment: The Hoshin X – Matrix

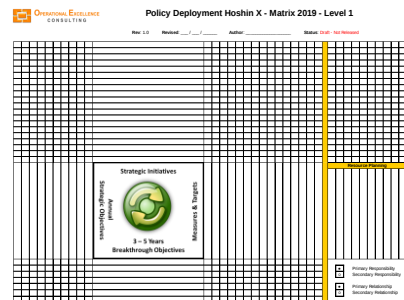
The Hoshin X-Matrix is a tool that visualizes an organization's

- strategic objectives,
- strategic initiatives,
- key performance indicators,
- key projects & action items, and
- human resources requirements

in one simple matrix.

The Hoshin X-Matrix enables an organization to easily review the alignment of its strategic objectives, strategic initiatives, key performance indicators, key action items and human resources.

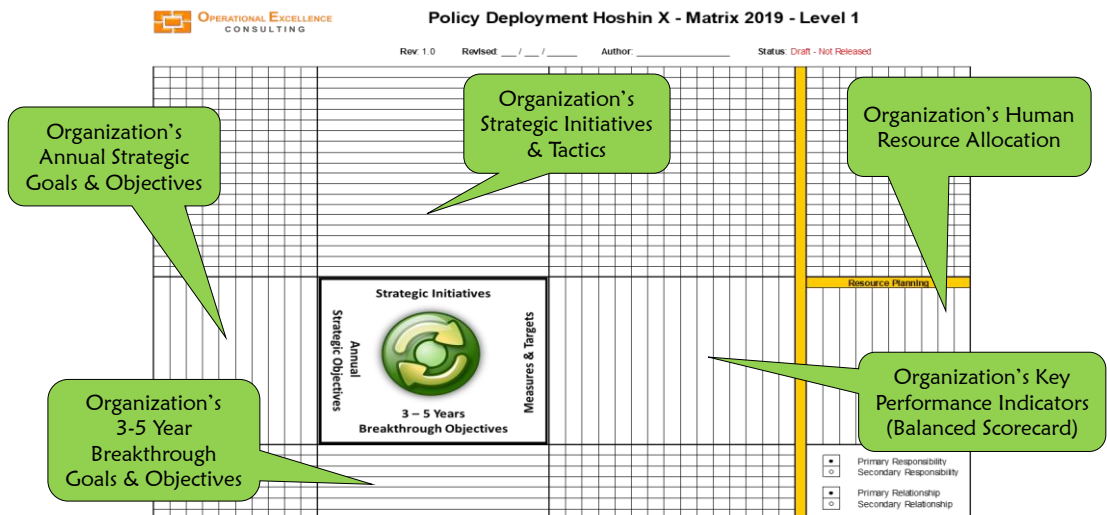
The Hoshin X-Matrix, if used properly, improves the likelihood of a successful execution of the strategic plan.



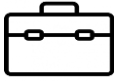
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Policy Deployment: The Hoshin X – Matrix Level 1



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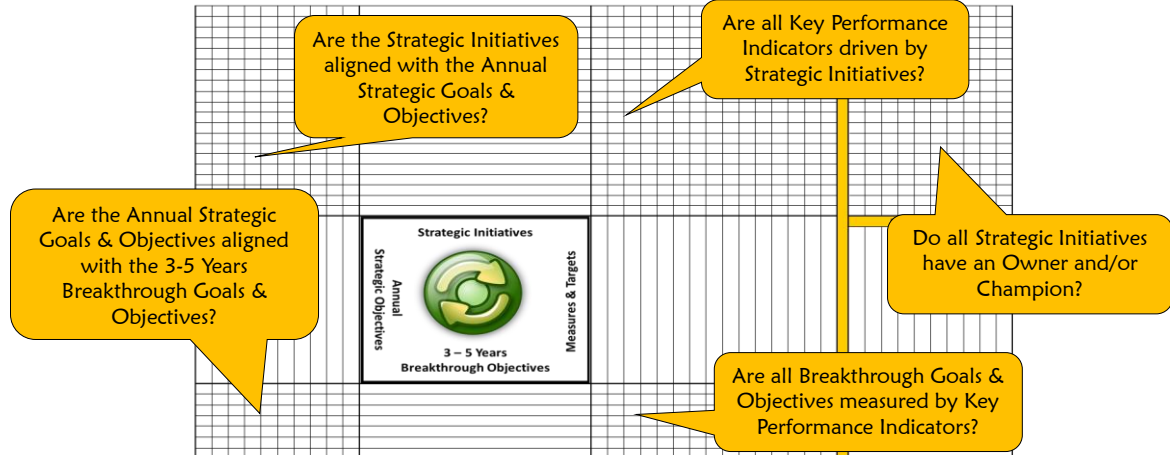


Policy Deployment: The Hoshin X – Matrix Level 1



Policy Deployment Hoshin X - Matrix 2019 - Level 1

Rev 1.0 Revised ___/___/___ Author: ___ Status: Draft - Not Released



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Policy Deployment – The Catchball Process

- In many organizations the executive or management team would “hand-off” the first-level strategic plan at this point of time and expect the organization(s) to somehow execute the strategic initiatives identified by the planning team.
- It is a known empiric fact that strategic plans without tactical detail don't usually get implemented very well, sometimes not at all.
- To deploy the first-level strategic initiatives successfully, supporting initiatives and finally actionable tactics need to be identified and defined.
- To ensure proper alignment of an organization's strategic goals & objectives, strategic initiatives, and key performance indicators, the first-level Hoshin X-Matrix will be cascaded down to the next level of the organization and more detailed second-level (third-level, ...) Hoshin X-Matrices will be developed.

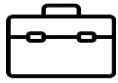


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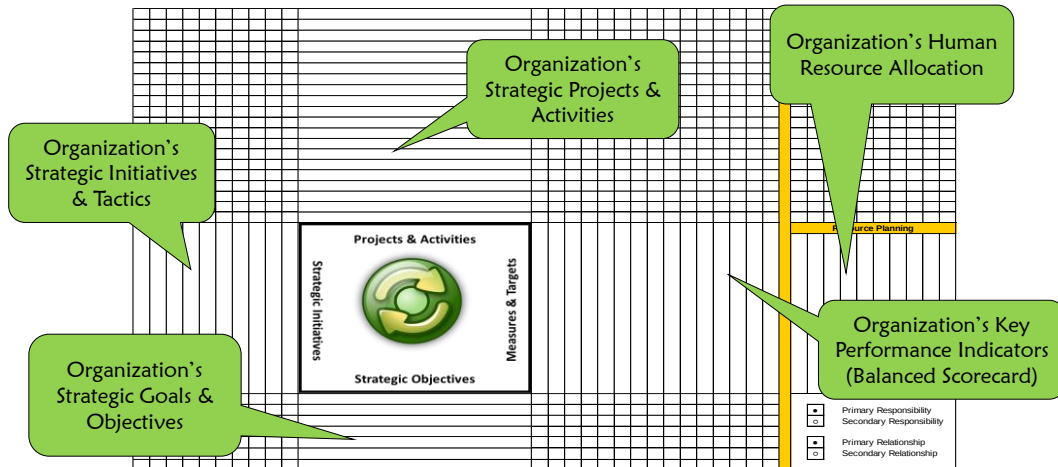


Policy Deployment: The Hoshin X – Matrix Level 2+

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Policy Deployment Hoshin X - Matrix 2019 - Level 2+

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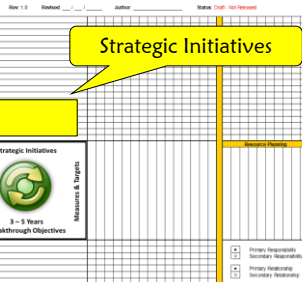
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Cascading the Hoshin X – Matrix: 1st Level to 2nd Level

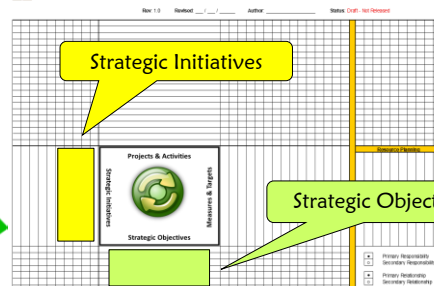
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Policy Deployment Hoshin X - Matrix 2019 - Level 1



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Policy Deployment Hoshin X - Matrix 2019 - Level 2+



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Policy Deployment – Key Performance Indicators

Metrics or Key Performance Indicator: A way of monitoring and tracking the progress of strategic goals & objectives. Metrics can be leading indicators of performance (leads to an end result) or lagging indicators (the end results).

Examples of lagging indicators include most financial type measurements (return on equity, sales growth, etc.) and many non-financial type measurements (production breakeven, customer retention, employee productivity index, etc.).

Examples of leading indicators include customer contracts executed, service response time, and time spent with customers.

Target: An expected level of performance or improvement required in the future.



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Policy Deployment – Balanced Scorecards

"Balanced Scorecards tell you the knowledge, skills and systems that your employees will need (learning and growth) to innovate and build the right strategic capabilities and efficiencies (internal processes) that deliver specific value to the market (customer) which will eventually lead to higher shareholder value (financial)."

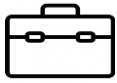
"Having Trouble with Your Strategy? Then Map It."

by Robert S. Kaplan and David P. Norton - Harvard Business Review

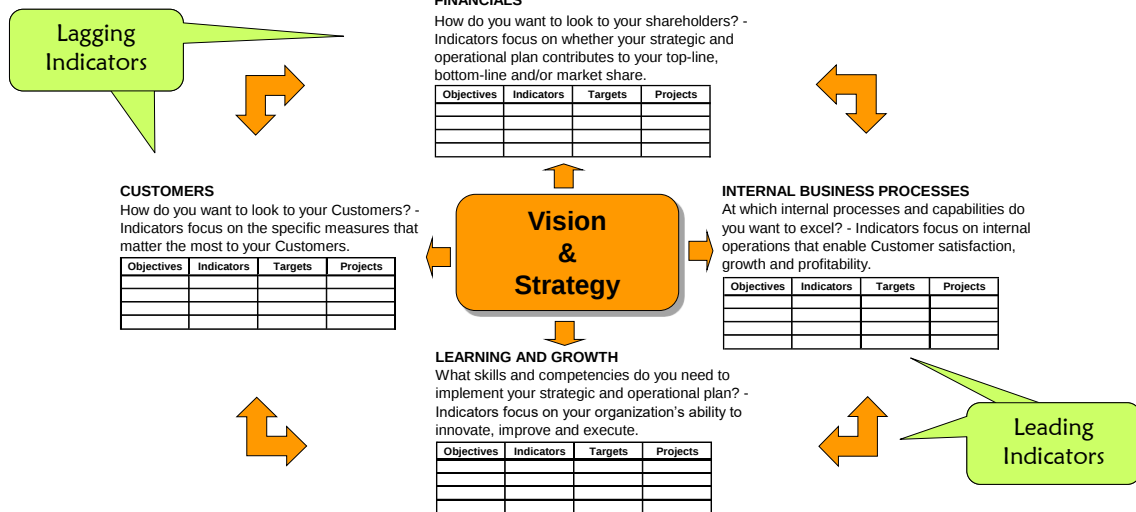
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Balanced Scorecard – Four Perspectives or Dimensions



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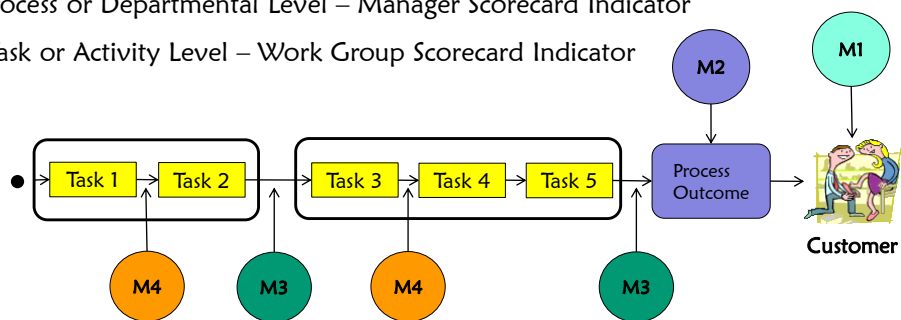
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Balanced Scorecard – Horizontal & Vertical Linkage

Performance Indicators vary according to the Organizational Level.

- M1 – Organizational Level – Executive Scorecard Indicator
- M2 – Process or Functional Level – VP/Director Scorecard Indicator
- M3 – Sub-Process or Departmental Level – Manager Scorecard Indicator
- M4 – Task or Activity Level – Work Group Scorecard Indicator



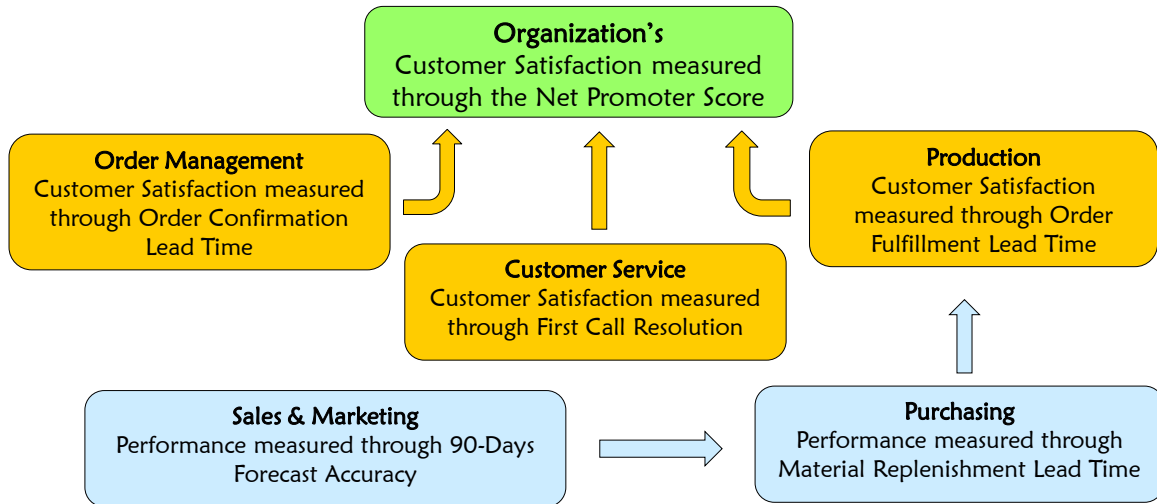
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Vertical & Horizontal Linkage of Performance Indicators

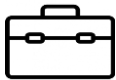


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Balanced Scorecard – An Example

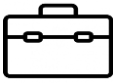
BALANCED SCORECARD									
ORGANIZATION: XYZ									
From: January 2019 Until: December 2019 Current Month: January 2019									
KPI	FINANCIALS	FINANCIALS	FINANCIALS	CUSTOMERS	CUSTOMERS	PROCESSES	PROCESSES	LEARNING & GROWTH	LEARNING & GROWTH
KPI	Revenue & Market Share (M)	Gross Margin (M)	EBITDA (M)	Net Promoter Score (NPS)	Customer Retention (M)	Order Fulfillment Lead Time (Days)	Order to Cash Lead Time (Days)	Annualized First Order Rate (M)	First Order Rate (M)
Champion	Tin Smith	Jen Meyer	Klaus Adler	Edgar Winter	Jen Meyer	Klaus Adler	Elen Greider	Tin Smith	Helen Bams
10	20.00%	60.0%	28.0%	38.0%	\$1,000	100	60	6.5%	150
9	18.00%	56.0%	18.0%	37.0%	\$900	110	70	7.0%	140
8	16.00%	53.3%	16.0%	36.0%	\$700	115	80	7.5%	120
7	14.00%	50.0%	14.0%	35.0%	\$500	120	90	8.0%	100
6	12.00%	45.0%	13.0%	32.0%	\$450	150	110	9.0%	80
5	10.00%	40.0%	12.0%	30.0%	\$400	180	140	10.0%	60
4	8.00%	35.0%	11.0%	27.0%	\$350	210	170	11.0%	40
3	6.00%	30.0%	10.0%	25.0%	\$300	240	200	12.0%	20
2	4.00%	25.0%	9.0%	22.0%	\$200	260	225	13.0%	10
1	2.00%	20.0%	8.0%	20.0%	\$100	280	250	14.0%	5
0									
WEIGHT	10	10	20	35	10	10	15	5	5
2019	RESULTS								
JANUARY	0.00%	42.1%	8.9%	31.50%	\$42	220	179	14.5%	12
FEBRUARY									
MARCH									
APRIL									
MAY									
JUNE									
JULY									
AUGUST									
SEPTEMBER									
OCTOBER									
NOVEMBER									
DECEMBER									
CURRENT SCORE	0	5	1	5	0	3	3	0	2
TOTAL									1000
Stretch 2019									700
Goal 2019									300
Base 2019									200
Actual									230

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Policy Deployment – Strategy Maps



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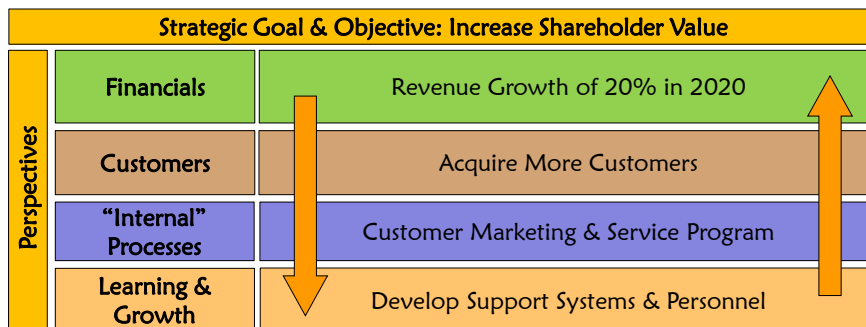
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Strategic Goals & Objectives Mapping

Basic Flow of a Strategic Goal & Objective across the Balanced Scorecard Dimensions



Notice how each lower perspective layer supports and enables the upper perspective layer; such as "Acquire More Customers" will enable "Revenue Growth".

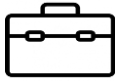
Keep in mind that we are trying to link everything together. This is critical to building an effective Policy Deployment Plan; i.e. capturing the cause & effect relationships.

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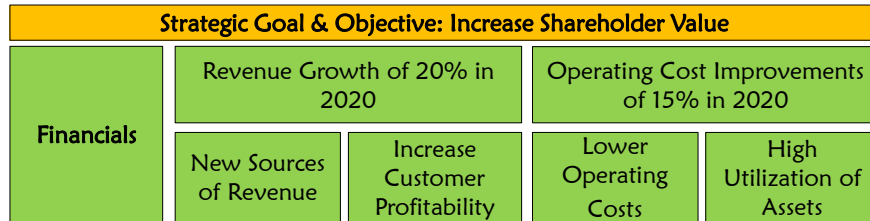
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Strategic Goals & Objectives Mapping

Basic Flow of a Strategic Focus Area within the “Financials” Dimension



We will **flow our strategic objectives down each balanced scorecard perspective** within a grid of boxes (potential strategic initiatives & tactics), making sure everything is linked. This grid or map will later also serve as the foundation to refine our Balanced Scorecard.

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Strategic Goals & Objectives Mapping

Strategic Objectives defined for all Four Balanced Scorecard Dimensions

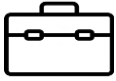


Once you have completed the strategic map, go back and make sure everything fits with your overall strategy. A set of strategy maps should provide the strategic model for running the business, outlining the specifics of the strategy. All stakeholders should be able to look at the map and follow the flow of the organization’s strategy.

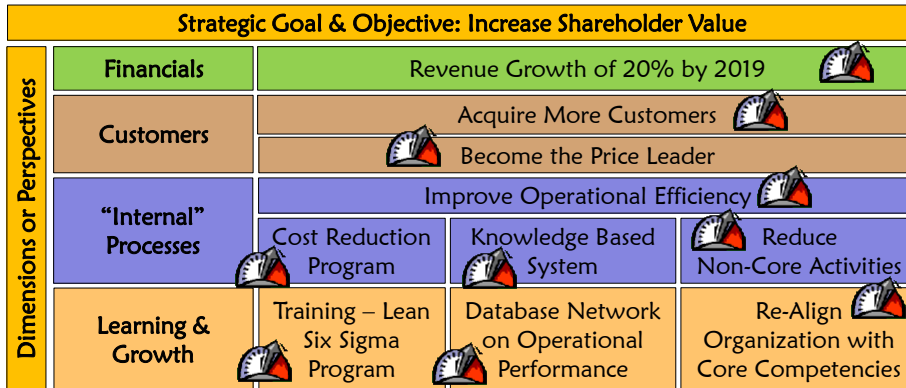
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Strategy Maps & Balanced Scorecards



For each objective or initiative on your strategic map, you need at least one performance indicator. Can you have an objective or initiative without a performance indicator? Yes, it is possible, but not having a measurement makes it difficult to manage the objective or initiative. It's best to revisit this objective or initiative and ask the question: Why is this an objective? or Why do we need this initiative?

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Policy Deployment – Strategic Projects & Activities

Strategic Programs, Projects & Activities: Major programs or projects that must be undertaken as part of an strategic initiative in order to meet one or more strategic goals & objectives.

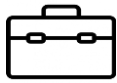


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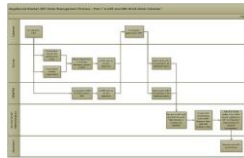


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Process Excellence Methods & Tools



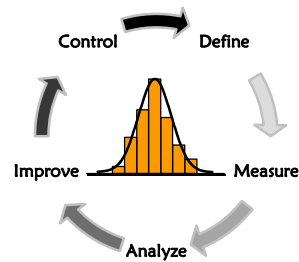
Process & Value Stream Mapping



8D or A3 Problem Solving



Lean Management



Six Sigma Methodology

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Project Prioritization & Selection Matrix

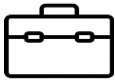
Project Prioritization & Selection Matrix  OPERATIONAL EXCELLENCE CONSULTING		IMPACT								EFFORT					PROJECT STATUS		
		FINANCIALS		CUSTOMERS		INTERNAL PROCESSES		LEARNING & GROWTH		TOTAL IMPACT	PEOPLE RESOURCES	CAPITAL RESOURCES	DURATION OF PROJECT	TECHNICAL & MANAGEMENT RISK		TOTAL EFFORT	
		KPI #1	KPI #2	KPI #3	KPI #4	KPI #5	KPI #6	KPI #7	KPI #8								
		Weights	20	10	15	10	5	20	10	10	100	25	25	25		25	100
Project Definition		CORRELATION MATRIX															
1	Project #1	10	0	5	0	0	3	0	0	3.4	5	0	5	3	3.3		
2	Project #2	0	3	0	5	0	0	0	0	0.8	0	5	0	0	1.3		
3	Project #3	5	5	10	10	3	3	8	8	6.4	3	8	5	10	6.5		
4	Project #4	0	0	10	5	0	0	5	0	2.5	0	0	10	3	3.3		
5	Project #5	5	10	0	0	3	0	0	3	2.5	10	5	3	3	5.3		
Ranking		0 = none 3 = low 5 = medium 8= high 10= very high															Not Started On Track At Risk Behind Schedule

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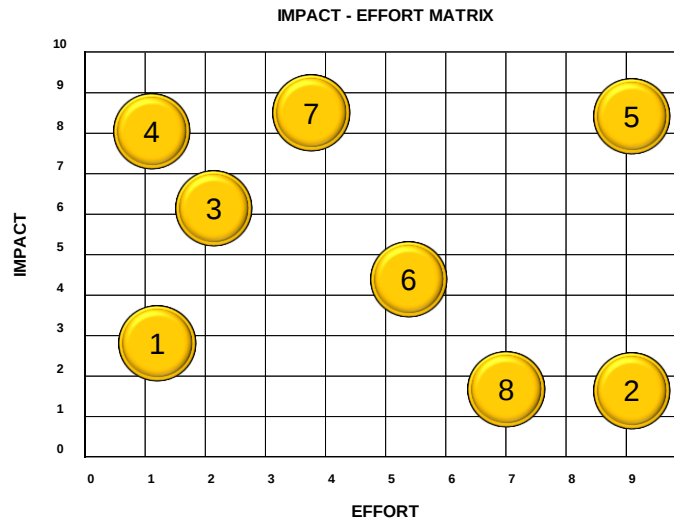


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Project Impact – Effort Matrix



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The Management Review Process

Review Process Overview

- Reviews need to be frequent to keep the implementation process “on track”
- Reviews are the “Check” of the Plan-Do-Act-Check (PDCA) cycle
- They evaluate the effectiveness of the Strategic Projects & Activities
 - What did you intent to accomplish? (PLAN)
 - What did you actually accomplish? (DO)
 - How did the actual accomplishment compare with what you intended? (CHECK)
- The Review Process is a self-evaluation process, where the strategy owners come to the meeting to present the results of their self-evaluation of results for each Strategic Initiative, Project & Tactic

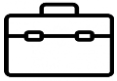


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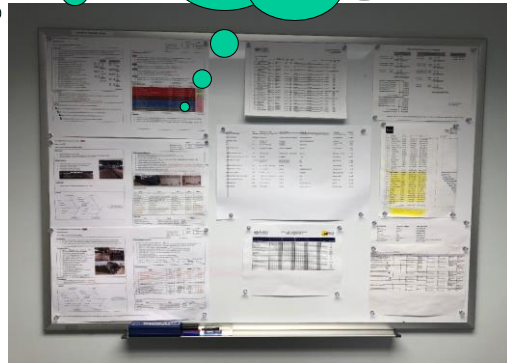


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Management Review – Visual Management



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Some Tactics for Successful Review Meetings

- Standardize documentation practices.
- Ensure presentation from every Strategic Initiative, at every review meeting.
- Maintain a minimum frequency: monthly at first, then maybe quarterly.
- Pay attention to team health and function.
- Agree on countermeasures, if needed.
- Pay attention to how time is allocated on the agenda.
- Build in structured decision-making practices and tools.
- Assign facilitation responsibility for every meeting.



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Hoshin Policy Deployment – Review Question #1

Hoshin Policy Deployment is a process whereby management makes choices about overall direction. One such choice within strategic planning is establishing the:

- a. Goals of the organization
- b. Financing of capital assets
- c. Distribution of stock dividends
- d. Election of Officers

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Hoshin Policy Deployment – Review Question #2

The Hoshin Policy Deployment Process can result in change and people often resist change. People's resistance to change can be reduced by:

- a. Making the planning process extremely formal.
- b. Categorizing the process as re-engineering.
- c. Making the process very experimental.
- d. Getting people involved within the process.

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Hoshin Policy Deployment – Review Question #3

In what phase of the Hoshin Policy Deployment Process does identification of strengths and weaknesses take place?

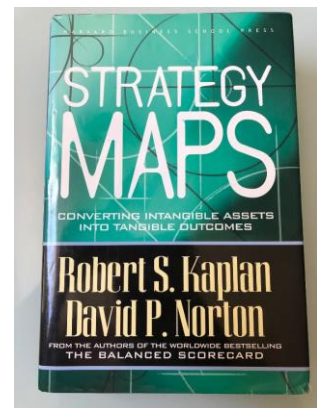
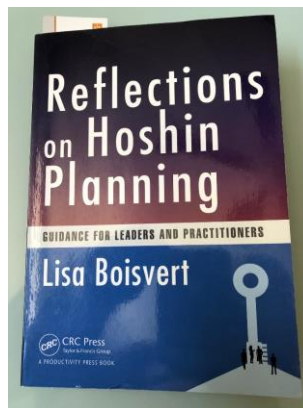
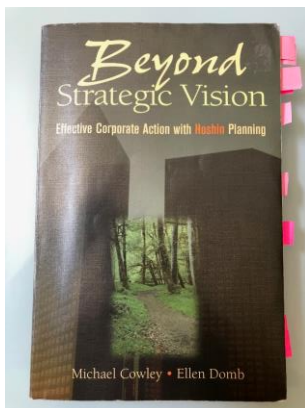
- a. Organizing
- b. Approval of the Plan
- c. Current State Analysis
- d. Implementation

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