Policy Deployment (Hoshin Kanri)

Principle Document

Provide the minimum standards for the implementation of Policy Deployment.

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Policy Deployment

Policy Deployment is a 7-step process that begins with high-level strategic objectives and ends with local level improvement targets. The process is facilitated by the use of the ‘X-Matrix’. It provides a clear line of sight for both the individual and their team to the objectives flowing from the organisation's strategy.

Purpose

The purpose of Policy Deployment is to align the whole organisation to the achievement of its goal.

- Align Strategy and Execution
- Focus on a shared goal
- Communicate that goal to all in the organisation
- Involve all leaders in planning to achieve the goal
- Hold participants accountable for their part of the plan

Benefits

- Everyone understands the goals of the organisation
- Every employee is clear of their own role and objectives
- Leadership evident at all levels
- Aligns resources, objectives and metrics to goals at all levels of the organisation
- Involves employees in having input to target setting, improvement plans and reviews
- Provides a clear line of sight through the organisation
- Creative problem solving everywhere
- Radical breakthrough improvements
- Focuses the entire business on a few vital goals rather than the trivial many
Role of a leader in Policy Deployment

Policy Deployment is the true enabler of a successful Lean Transformation in any business. As with any cultural change, the beliefs and behaviours of leaders need to consistently support the principles of the change. The types of behaviours that a Lean organisation expects leaders to engender are:

1. Build ability in people at all levels by showing respect to all, guiding problem solving (seeking the root cause), by going to look/see/discuss issues with the people closest to the issue, taking the opportunity to build teams whenever possible, and asking open-ended questions such as “what do you think”?

2. Show a continuous improvement mind-set by continually challenging the status quo and knowing that there is always room to improve.

3. They focus on process by obtaining results, ensuring that they are always focusing on actions that lead to the ideal state and by improving how the organisation accomplishes results.

4. Create a culture to sustain any gains made by modelling Lean behaviours, finding lessons learned in every failure (blame does not foster improvement or innovation), respecting and improving standards by questioning when their team is deviating from the standard.

Policy Deployment Planning ‘X-Matrix’
The X-matrix is a tool that provides the framework for a structured dissemination of the organisation's breakthrough strategies. It is expected that there will be one level-5 matrix and that derivatives emerge (with the agreement of the executive team) as it is deployed throughout the organisation.

**Purpose**

The matrix provides a simple understanding of the company strategies and enables the whole organisation to evaluate and define their areas of contribution to those strategies. The matrix drives and records the first 5 of the 7-step Policy Deployment process, delivering a thoroughly evaluated (top-down direction and bottom-up planning) ‘P’ stage of the PDCA cycle that includes ownership and resource requirements.

**Benefits**

- Acts as a document that provides a short and clear visual definition of the company strategies - ideal to display in all information centres - a plan on a page
- Ensures alignment of initiatives
- Creates an environment where leaders can make good decisions quickly
- Is a simple and effective means of developing individual and team accountability throughout the organisation
- Provides the basis for discussion both up and down through the company hierarchy
- Provides leaders with a ‘starting-point’ for discussion with their teams when engaging in ‘go-look-see’ walks
Step 1 - Establish a Vision

The Vision statement can often be used as the Title for X-Matrices.

Step 2 - Breakthrough Thinking

The Policy Deployment process starts with the senior executive team translating the vision into the key performance breakthroughs that are needed in the next 3 to 5 years. By definition, the performance breakthroughs need to be measurable, strictly objective in nature (turnover target, customer satisfaction index, gross margin value, cash, lead-time target etc.).

A breakthrough is defined as an improvement to a significantly higher level of performance; it is not achieved by incremental change. The executive team determines what level of improvement can be termed as significant.
The breakthroughs that emerge become the business strategies and are limited in practice to three. More than three can lead to confusion and lack of focus in the organisation. Each of the strategies will have an associated metric or Key Performance Indicator (KPI) recorded on the matrix.

The performance breakthroughs will be prioritised by the team and will be shown in the lower-central section of the X-matrix by placing the top priority nearest to the centre of the matrix (this method of visually prioritising is used throughout the matrix).

Purpose

The purpose is to define and communicate the strategies that will inform the whole organisation of the two or three Key Performance Indicators (KPIs) that will be the focus for improvement activities over the next 3-5 years. The strategies bring clarity to the organisation and this, in turn, will generate an ability to engage.
Benefits

- Creates ownership for improvement at the executive level
- Provides the foundation for significant performance transformation
- Clarifies 2 or 3 KPI's for the organisation and thus drives focus
- Clarifies what 'good' looks like
- Increases competitiveness
- Differentiates between the critical few and the more trivial many

Step 3 - Annual Objectives

Annual Objectives are those that need to be achieved in the coming 12 months in order to make sufficient progress towards achieving the strategic objectives. The executive team define the annual objectives that must have a strong correlation with at least one of the breakthrough strategies. If this does not prove feasible, then the annual objective needs to be reconsidered.

In order to ensure executive accountability, each of the annual objectives will be ‘owned’ by an executive team member and should be recorded on the X-Matrix adjacent to the relevant objective as shown on the image below.

Purpose

Annual objectives are defined as a step along the route towards achieving the strategies. Their creation at this step secures alignment with the strategies and also creates a high level of executive accountability.

These objectives provide the input to the various functional/value stream/site leaders who will each be charged with leading their
respective teams to determine their contribution for approval in the subsequent ‘catch-balling’ phase of the process.

Benefits

- Provides targets against which progress can be monitored
- Enables targets to be decomposed to the various teams
- Facilitates clear objective setting for every employee
- Aligns the organisation to delivering this year’s objectives
- Clearly answers the question ‘are we on plan’?

Following this step, the X-Matrix is ‘handed-off’ from the executive team to their direct reports: the value stream/site leaders and/or functional heads

Step 4 - Deployment

Deployment of the annual objectives is a cascade process commencing with the executive team issuing their X-Matrix to each value stream/site/functional lead (Level-4 team?). Each of these leaders will work with their team to create their ‘local’ Level-4 Matrix.
There will be many instances, when seeking to identify problem root causes that it becomes appropriate for the Level-4 Matrix to be cascaded to a Level-3 and subsequently further cascaded to Level-2 and possibly Level-1. The level at which to stop cascading is that at which the root-cause of the problem (to be improved) is found.

**Catch-Ball Procedure**

At each point in the cascade, a 'Catch-Ball' procedure is utilised to encourage discussion between the teams and their leaders on how much the teams can reasonably deliver in support of the annual objectives. The procedure forms the basis for dialogue between the
teams and their leaders. Whilst the teams will propose their plans, targets and resource requirements, their leaders will seek to ensure the proposed targets are sufficiently challenging, justify the allocation of resources and will also, when combined with other teams plans, deliver the annual objectives. The catch-ball phase is completed when the local X-Matrix improvement plans section can be completed as below:

**Purpose**

The purpose of deployment, and particularly the use of Catch-Ball, is to engage all employees in the definition of both their team’s and personal objectives for the year, generating a high level of personal accountability and hence commitment to the identified strategies.

It is recognised that the opportunity to discuss objectives both up and down the organisational hierarchy is a key step towards creating the High Performance Culture that is a proven cornerstone of any ‘world-class’ business.

**Benefits**

- Provides alignment between strategy, annual objectives and activity
- Generates accountability at all levels of the organisation
- Provides a clear line of sight through the business
- Creates individual and team commitment to the objectives
- Develops understanding and improves working relationships through the organisation
Action plans are created at the ‘The point of impact’, the level of the matrix cascade, which is where the root cause of the problem to be addressed can be found.

Action plans define the ownership, timing, resource requirements, and impact on at least one business strategy KPI.

It would be expected that the majority of actions would arise from Value Stream Mapping at the level of the point of impact.

Operating a 90-Day plan process in order to deliver a persistent and rapid rate of improvement using short-interval control techniques is essential. This process therefore requires the action plan to be sub-divided into 90-day periods. Thus, there will be 4 x 90-Day Plans per year for each improvement plan.

Purpose

The 90 Day Plan plan is the key document to be used during the catch-balling process as it connects the resources required to the
impact proposed by the team and thus establishes a measure of priority.

90 Day Planning for implementation is key to enabling:

- the business to establish effective resource plans
- continuously track progress.

This provides visibility of arising problems and enables the provision of corrective actions to avoid them.

Maintenance of plans through their life cycle and eventual archiving will provide a volume of evidence about what worked and what did not.

**Benefits**

- Provide clarity of action connectivity, ownership, impact and timing
- Facilitates an effective lessons learned analysis on completion
- Successful plans will be archived for re-use
- Is an effective planning tool to commence the PDCA cycle

**Step 6 – Senior Progress Reviews**

Senior progress reviews are held at the frequency of choice depending on the number of direct reports, stability of the operation and capability of the Senior Leadership Team.

The reviews track the delivery mechanism of the strategies and objectives. The underlying objective of the reviews is to improve the Policy Deployment Process.

**Purpose**

Senior progress reviews are designed to monitor the Policy Deployment plans and results by reviewing the status of the improvement projects. Particular emphasis is placed on the monitoring of key performance parameters to recognise and quickly address both potential and actual anomalies.

Areas of focus for the executive team are: -
• Are the results of the lower level objectives contributing to their strategies – is the needle moving?
• Review of the trends of management control charts
• Presentation of plan status by the relevant owners
• Understanding of problems encountered and their causes
• Evaluate the plan objectives and make adaptive changes to tactics and targets where appropriate

The improvement action owners are required to attend these reviews, but are not there to be evaluated. They attend in order to present the results of their monthly self-assessment reviews.

Benefits

• Sanity check of action alignment to strategies
• Provides continuous leadership focus on improvements
• Opportunity to praise good work
• Opportunity to offer support to those plans that are underperforming
• Maintains communication channels developed during catch-ball

Step 7 – Annual Review

The annual review has the priority of improving the policy deployment process for the coming year.

Purpose

Focus will be placed on understanding the means that led to the achievement of targets (cause and effect relationships). In addition, opportunities to standardise successful improvements to other areas will also be evaluated and implemented where applicable (Act phase of the PDCA cycle). Finally, the lessons learned from the years Policy Deployment process will be documented and subsequently issued to all involved.

Benefits

• Ensures continuous improvement of the process
• Maximises the benefit of the years process
• Clearly defined end date of this years plans
### Example of Completed X-Table

<table>
<thead>
<tr>
<th>Team Members</th>
<th>Targets</th>
<th>Improvement Plans</th>
<th>Break-Through Strategies</th>
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</thead>
<tbody>
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**Team Members**
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**Improvement Plans**
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**Break-Through Strategies**
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**Annual Objectives**
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The table represents an example of an X-Table with various sections for team members, targets, improvement plans, and break-through strategies. Each section is further divided into smaller headings and subheadings to organize the information effectively.
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