

A man in a light blue shirt and dark tie stands on the right side of the frame, gesturing with his hands as if presenting. He is facing a group of four women seated at a long table on the left. The women are looking towards the man. The background is a bright, slightly out-of-focus room with a whiteboard or screen visible behind the man.

# **10 Steps to become a Lean Enterprise**

## **Lean Expert Training Course**

### **Step 1**

### **Strategy Deployment**

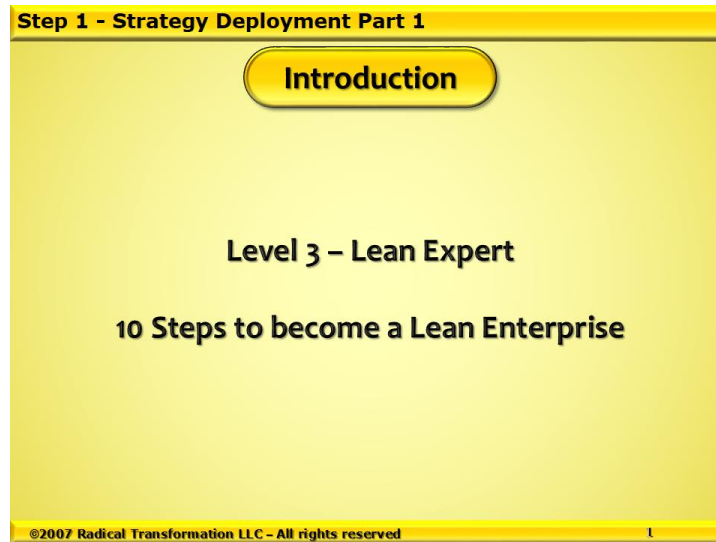
### **Part I**

# Lean Expert Course Workbook - Step 1 – Part 1

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## Lean Expert Course Workbook - Step 1 – Part 1



### **Welcome.**

We would like to take this opportunity to thank you for choosing Radical Transformation as your lean training provider. We are excited that you have committed your personal resources to participate in this training course.

This training module is called “Step 1 - Strategy Deployment Part 1.”

This module is part of our Lean Expert online course series called “10 steps to become a Lean Enterprise.”

This program has been specifically designed to take you on a journey that demonstrates the step by step methodology that must occur in order for any organization to become a Lean Enterprise.

Let's get started on your lean journey!

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Course Objectives**

- Upon completion of this course, you should be able to:
  - Understand the importance of the ISEE cycle
  - Participate in Strategic development process
  - Develop and implement Breakthrough Objectives (BTO)
  - Develop and implement Annual Improvement Priorities (AIP)
  - Plan improvements over the next 12 months
  - Develop and implement Target Improvements (TI).
  - Develop and implement Tasks.
  - Understand the Breakthrough Model
  - Understand and implement the SD Worksheet.
  - Establish a feedback loop.
  - Understand the purpose of the executive review.
  - Understand common problems during SD implementation

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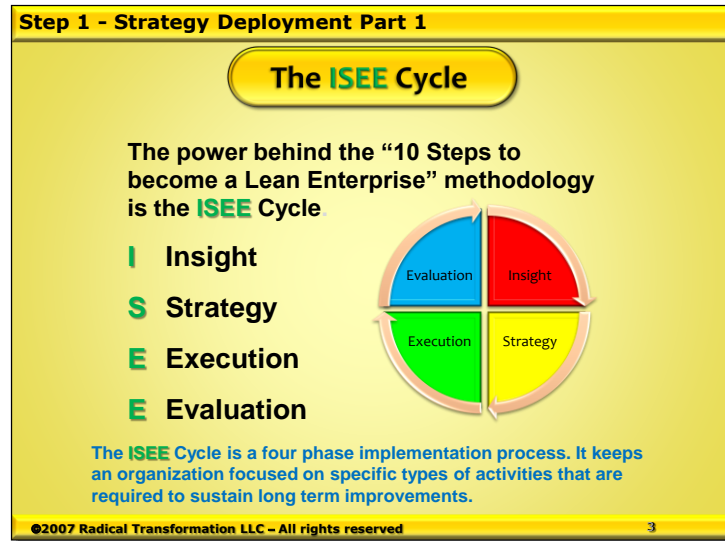
### Course Objectives

Here are the course objectives for the Strategy Deployment Part 1. We specially designed this course to give you the information you need for a full understanding of each step required to become a Lean Enterprise.

Upon completion of this course, you should be able to:

- Understand the use of the importance of the ISEE cycle.
- Participate in a Strategic development process.
- Develop and implement Breakthrough Objectives (BTO).
- Develop and implement Annual Improvement Priorities (AIP).
- Plan improvements over the next 12 months.
- Develop and implement Target Improvements (TI).
- Develop and implement Tasks.

## Lean Expert Course Workbook - Step 1 – Part 1



### The ISEE Cycle

In “Lean Practitioner” we took a deeper dive into the application of the **ISEE** Cycle. We would like to explain its role in the “Lean Expert” level of the “10 Steps to become a Lean Enterprise” methodology. Every organization will experience it and their success or failure will depend on their actions during each of the four phases.

**Insight** An organization will only begin to improve when it can define and understand its strengths and weaknesses. At this point, it is capable of identifying any problems that are stopping it from achieving business success.

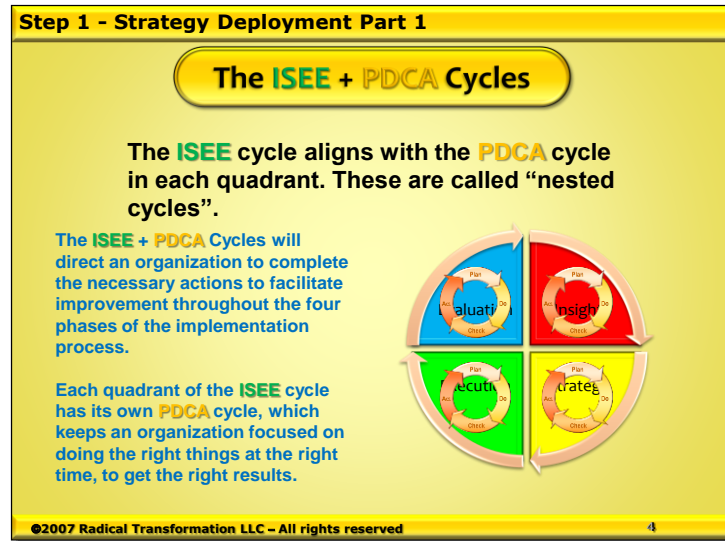
**Strategy** Once a problem is understood, the next step is to create a strategic plan to identify specific focused activities that are required to eliminate the barriers and achieve business success.

**Execution** An organization must take action and implement the specific focused activities identified in the strategic plan.

**Evaluation** Once the plan has been executed, the process outputs must be evaluated to determine if they met the expected results defined in the strategic plan.

The **ISEE** Cycle is a four phase implementation process. It is designed to keep an organization focused on specific activities that are required to sustain long term improvements.

## Lean Expert Course Workbook - Step 1 – Part 1



### The ISEE and PDCA Cycles

In Lean Practitioner, we demonstrated how the **ISEE** and **PDCA** cycles aligned and nested together.

An organization must complete the necessary actions required to facilitate improvement throughout the four phases of the **ISEE** implementation process.

Each quadrant of the **ISEE** cycle has its own **PDCA** cycle which keeps an organization focused on doing the right things at the right time, to get the right results.

The graphic on this screen demonstrates how the **PDCA** cycles are nested inside each quadrant of the **ISEE** cycle. These **PDCA** cycles are overlaid onto each of the Insight, Strategy, Execution and Evaluation quadrants.

Why is this important?

Because as an organization works through each quadrant of the **ISEE** cycle, they will follow the **PDCA** cycle to ensure they are staying focused on the planned activities to meet their strategic needs and meet their vision.


If the status of the **PDCA** activities is acceptable, the organization will move into the next quadrant of the **ISEE** cycle and follow the same procedure using the **PDCA** cycle.

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**What is Strategy Deployment?**

- The **ISEE** cycle is a roadmap which includes the development of a strategic plan.
- Every organization is moving in a certain direction. Just like being on a journey.
- Strategy Deployment (SD) is a system that was developed by Japanese companies to help management teams focus where their organization must go to achieve success.
- Strategy Deployment puts all the pieces together, it helps define the destination and how to get there.



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### What is Strategy Deployment?

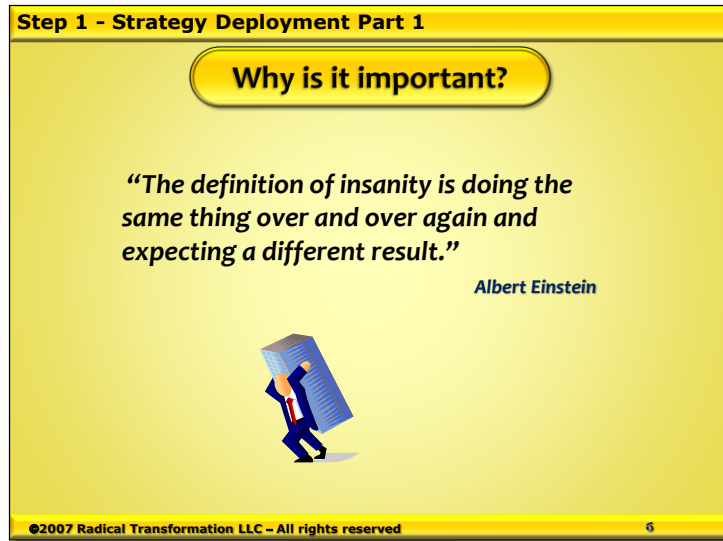
The ISEE cycle can be used as a business roadmap to direct an organization through each of the four phases, one of which includes the development of a strategic plan.

Every organization is moving in a certain strategic direction, just like being on a journey. You have a starting point, and a destination, so it's really important to have a good plan to guide you from the start to the end of your journey.

Strategy Deployment is a system that was specifically designed to help management teams to effectively focus their organizational resources to move them towards their destination in the most efficient manner.

Strategy Deployment helps an executive management team to identify all the pieces of the organization's strategic jigsaw puzzle and put them together. It helps them to define a vision and how to direct the organization towards it.

## Lean Expert Course Workbook - Step 1 – Part 1



### Why is Strategy Deployment so important?

Albert Einstein's famous words can apply to our discussion of Strategy Deployment:

***"The definition of insanity is doing the same thing over and over again and expecting a different result."***

Many companies are living in a constant state of reactivity. They are overwhelmed with having to resort to fire-fighting techniques to get through each day.

We live in a world where we communicate at the speed of light so a business must be capable of responding to its customers ever changing needs in a fast and effective way.



## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Who developed it?**

- Dr. Yoji Akao and Dr. Shigeru Mizuno are attributed as being the original developers of Hoshin Kanri.
- In 1976 Dr. Yoji Akao and Dr. Shigeru Mizuno worked with Yokogawa Hewlett-Packard to help them compete for the Deming Prize.
- Six years later in 1982, Yokogawa Hewlett Packard won the award. Hewlett-Packard realized the advantages of Hoshin Kanri and introduced it to the rest of the company. In 1985, it arrived in the US.

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### Who Developed Strategy Deployment?

Dr. Yoji Akao and Dr. Shigeru Mizuno are attributed as being the ones who initially developed Hoshin Kanri. They did this by analyzing the best practices used by companies who won the Deming Prize such as Bridgestone Tire Company, Nippon Kayaku, Toyota, Komatsu and Matsushita. The progress of Hoshin Kanri was simply astounding: in 1965 Bridgestone Tire Company published a report on “Hoshin Kanri” practices. By 1975, Hoshin Kanri had become accepted in Japan as a standard practice.

Yokogawa Hewlett-Packard (YHP) was founded in 1963 and was as a joint venture between Yokogawa and Hewlett-Packard.

In 1976, Dr. Yoji Akao and Dr. Shigeru Mizuno worked with Yokogawa Hewlett-Packard to help them compete for the Deming Prize. Six years later in 1982, Yokogawa Hewlett Packard achieved their goal and won the award. Hewlett-Packard realized the advantages of Hoshin Kanri and introduced it to the rest of the company in 1985. It was this decision by Hewlett-Packard that launched Hoshin Kanri into the US.

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Adopted by USA**

- As closer ties developed between US and Japanese companies. Hoshin Kanri began to be adopted by more companies here in the US.
- By the 1990's many organizations considered Hoshin Kanri to be a key strategic weapon to improve their competitive advantage.
- Hoshin Kanri has been translated into:
  - Strategy Deployment.
  - Policy Deployment.
  - Managing by Results
  - Hoshin Planning
  - Strategic Planning

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### **Hoshin Kanri is adopted by companies in the USA**

As companies in the USA started to develop closer ties with Japanese companies, this allowed them to adopt Hoshin Kanri practices into their own businesses.

By the 1990's, many US organizations had adopted Hoshin Kanri practices as a key strategic planning tool to help improve their competitive advantage in the local, national, and international marketplaces.

Since being adopted by companies in the USA, the term “Hoshin Kanri” has been translated into:

- Strategy Deployment.
- Policy Deployment.
- Management by Results.
- Hoshin Planning.
- Strategic Planning

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Purpose of Strategy Deployment**

- The purpose of Strategy Deployment is to move beyond the status quo to drive performance improvements at all levels of the organization.
- Strategy Deployment cascades executive management policies down to its employees.
- At each level of the organization, the strategy is translated into tactical Continuous Process Improvement (CPI) activities.

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### The Purpose of Strategy Deployment?

The purpose of Strategy Deployment is to allow executive management teams to move beyond the status quo and drive performance improvements at all levels of the organization to improve value to the customer.

Strategy Deployment practices allows an executive management teams to cascade policy decisions down to each employee. At each level of the organization, the policy (strategy) is translated into tactical continuous process improvement activities, which are easily understood by all employees throughout the organization.

In the past, the language of the boardroom has not been easy to translate into day to day activities on the shop floor in a way that each employee could relate to. This was a major problem and created more separation between the management levels and the shop floor, often identified as the “US” and “THEM” syndrome. Strategy Deployment has helped to eliminate this problem in companies that use this process because it includes upper management, middle-management, and shop floor employees in the decision-making process.

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Calibrate to True North**

- Strategy Deployment is a tool to focus an organization on the development of breakthrough goals and objectives to improve customer satisfaction.
- Calibrates all levels of the organization to **“TRUE NORTH”**
- If one department is moving **“EAST”** while another is moving **“WEST”**, then the whole organizational strategy is out of calibration, conflicted or misaligned.



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### Calibrating to True North.

Strategy deployment is a great tool to help focus an organization on developing breakthrough goals and objectives to improve customer satisfaction. Strategy Deployment calibrates or realigns all levels of an organization to “True North” or “North Star”.

Prior to the invention of GPS, anyone navigating a ship around the world needed to know the location of two points in the night sky. In the northern hemisphere, it was the North Star. In the southern hemisphere, it was the Southern Cross. Without this information, they would be unable to identify their current position and the direction to reach their destination. Strategy Deployment aligns an organization to their “North Star.”

Without Strategy deployment, one department can be moving “East”, while another is moving “West”, yet both are convinced they're aligned and moving in the same direction. When this happens, the whole organization is strategically out of calibration and needs to go through a process of recalibrating or realignment with the goal.

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Strategy Deployment Levels**

There are usually 9 sub-levels:

#	Sub Levels	Key Question
1	Vision	Where do you want to be in the future?
2	Mission	How are you going to get there?
3	Breakthrough Objectives (BTO)	What must you do different to get there?
4	Annual Improvement Priorities (AIP)	Which specific processes need improving first?
5	Target Improvements (TI)	What must we change to get there?
6	Tasks	What actions are required to improve it?
7	Schedule/Calendar	When can we do it? Who will do it?
8	Results	How did we do this period (qtr, year, etc.)?
9	Feedback	Is the plan working? Do we need to change anything?

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### Strategy Deployment 9 levels.

Strategy deployment has many sub-levels. The actual number of sub-levels will depend on the needs of the organization. The example on the screen has nine sub-levels. Each level is directly connected to the level below it and above it. Information must be able to easily roll down and then roll back up through each of the nine levels.

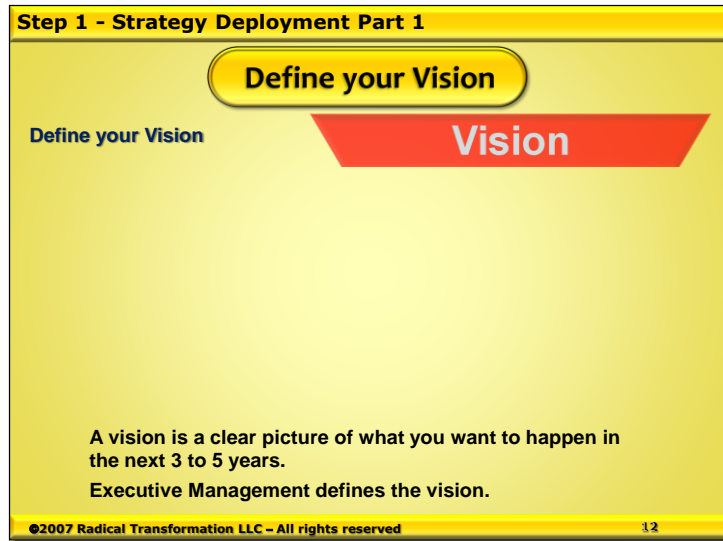
The upwards and downwards movement of information through each of these levels is what makes Strategy Deployment so powerful. The language used by the executives is the same language used by the shop floor employees to describe each activity. This dramatically reduces any misunderstandings about the interpretation and application of Strategy Deployment at all levels of the organization.

The vision is the first level, and this defines where the organization wants to be in the next three to five years.

The mission is the second level, and this defines how the organization will utilize its resources to fulfill its vision.

Level 3 through to level 9, describes where and how the organization will improve itself to meet the vision within the next three to five year time period. Each level will be explained in the following screens.

## Lean Expert Course Workbook - Step 1 – Part 1



### Define your vision.

Why is it important to define a vision for your organization?

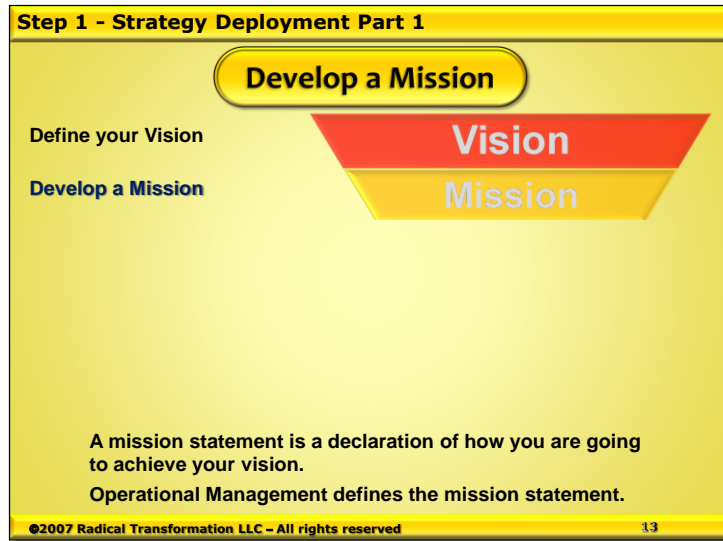
The reason it's important to define a vision is best described using these famous lines from Alice's Adventures in Wonderland by Lewis Carroll.

She met the Cheshire Cat perched in a tree at a crossroad. "Which road should I take?" she asked the cat. "Where do you want to get to?" the cat asked helpfully. "I don't know," admitted Alice. "Then," advised the cat, "Any road will take you there."

The same principles apply to any business. If they don't know where they're going, they will end up somewhere. However, most companies usually end up in places where they don't want to be. This is why the vision is so important because it helps the executive leadership team to stay focused on where the organization needs to be.

It's the responsibility of executive management to define a vision for the organization. A vision should give a clear picture of what the organization will look like in the next three to five years.

## Lean Expert Course Workbook - Step 1 – Part 1



### **Develop a mission.**

A mission statement is a declaration of how an organization is going to achieve its vision using all available resources. It's a joint effort between the executive and operations management teams to develop and define a mission statement.

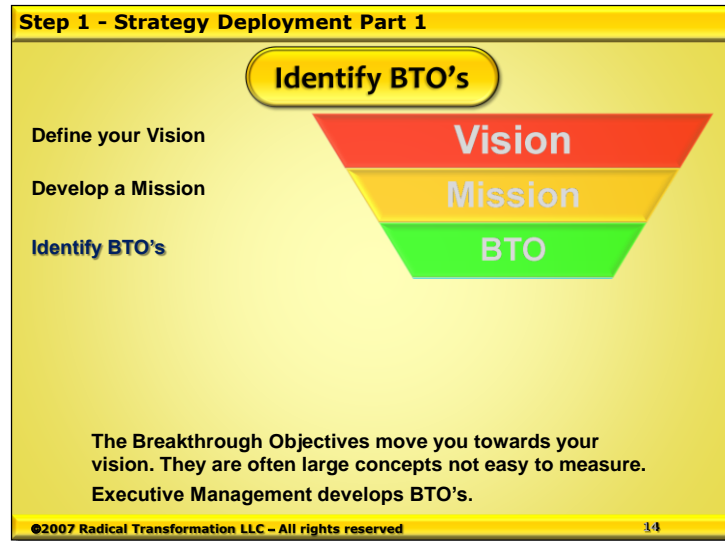
Mission statements are often very lengthy descriptions of how an organization is going to improve its internal processes to increase value to the customer. However, all that is needed is a simple description of what the organization will do on a daily basis to move towards its vision.

Here is a question we ask our clients:

“How are you going to use your resources (*on a daily basis*) to increase value for your customers and move towards your vision?”

Your mission statement must answer this question. It is the key to moving from your current state and reaching toward your future state or vision.

## Lean Expert Course Workbook - Step 1 – Part 1



### Identify breakthrough objectives.

To achieve your vision you must know where to focus your resources in the most effective manner to increase value for the customer. The best way to achieve this is to identify areas of the organization that require specific improvements. The vision is the goal, the breakthrough objectives are the necessary steps towards realizing the goal.

There are many tools available to help identify the specific areas within the organization where there are recognizable strengths or weaknesses. Breakthrough objectives are focused on systemic improvements that convert weaknesses into strengths.

It is the responsibility of the executive management team to develop the breakthrough objectives for their organization. Once developed, they will be passed down through the levels of the organization to obtain feedback.

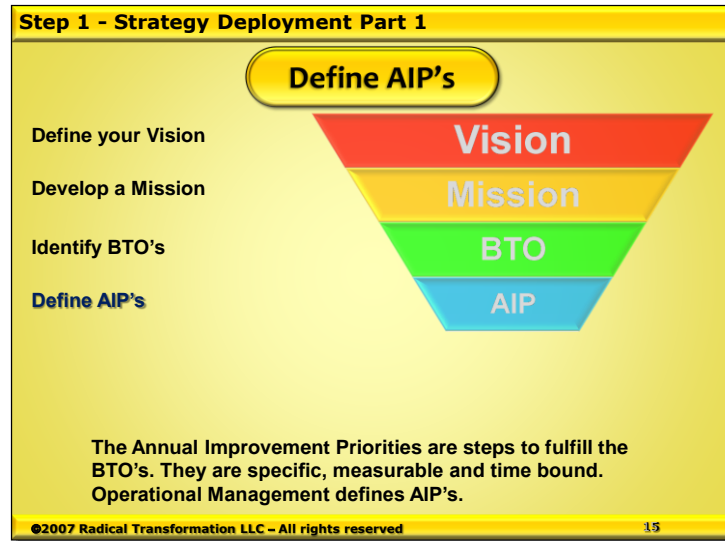
Breakthrough objectives are usually large conceptual activities that are measured using high level metrics, which don't easily translate down to the shop floor level. It is, however, much easier for smaller organizations to develop measurements for breakthrough objectives.

An example of a BTO is:

BTO 1.0 - Improve sales of our Deluxe Series product line by 30% over the next 3 years.



## Lean Expert Course Workbook - Step 1 – Part 1



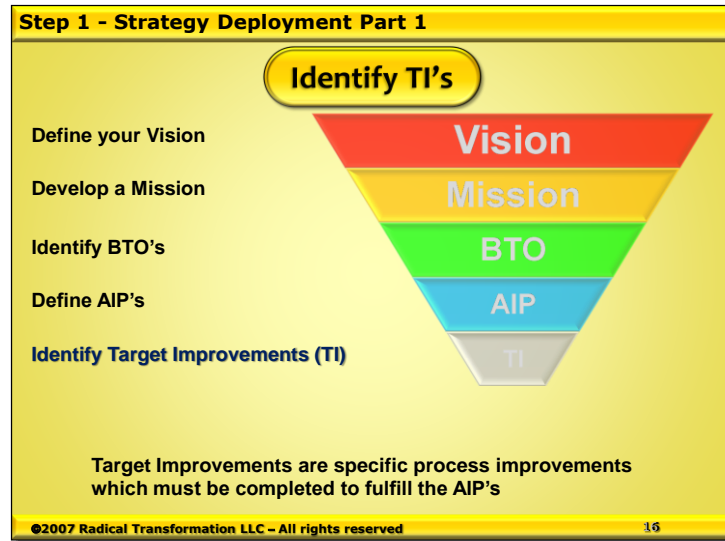
### Define Annual Improvement Priorities (AIP).

Once the breakthrough objectives have been identified, the next step is to identify the activities necessary to fulfill them. Usually these activities are found inside the parts of the organization that are within the scope of the breakthrough objective (BTO). These activities are listed and prioritized based their impact to the customer and the financial bottom line. The goal is to try to complete these prioritized activities over the next 12 months. This is why each activity below a breakthrough objective is called an “annual improvement priority (AIP)”. It’s really important to not list too many AIP’s for every breakthrough objective because it will become difficult to manage them. We will demonstrate how the different levels connect together later in the training presentation.

An example of an AIP to support the BTO 1.0 on the previous Screen is:

AIP 1.1 – Analyze sales volume of Deluxe Series product line items over the previous 12 months. Determine which specific products have not achieved sales targets during this period.

## Lean Expert Course Workbook - Step 1 – Part 1



### Identify Target Improvements

Next, we need to determine which areas of the business to target for process improvement to fulfill the AIP's. The information from the BTO was chunked into smaller processes identified as each AIP and now they have rolled down to the tactical level of the organization. These activities are called "target improvements".

At this point, we are getting down to an actual function of the business operation such as a job done by an employee or group of employees.

It could be a target improvement focused on an activity in any department e.g. quality, engineering, finance, order entry, etc.

## Lean Expert Course Workbook - Step 1 – Part 1



### Identify Tasks

A target improvement includes specific activities that must be planned and scheduled to ensure a successful result. A target improvement could be identified as a Rapid Improvement Event (RIE).

What does this mean?

It means that a series of tasks needs to be undertaken before the event can take place. Here are some examples:

1. People need to be identified as RIE team members.
2. Team members may need RIE training to allow them to understand their role and what's required of them during the event.
3. A team leader will need to be designated.
4. A Project Champion will need to be identified.
5. A room, audio/video equipment and a projector will need to be available for the duration of the event.

And the list goes on. As you can see, these activities must be managed.

## Lean Expert Course Workbook - Step 1 – Part 1



### Check results!

Activity cascading down through the different levels will eventually generate an outcome. The process will start to give feedback about its performance, which is called a “result.”

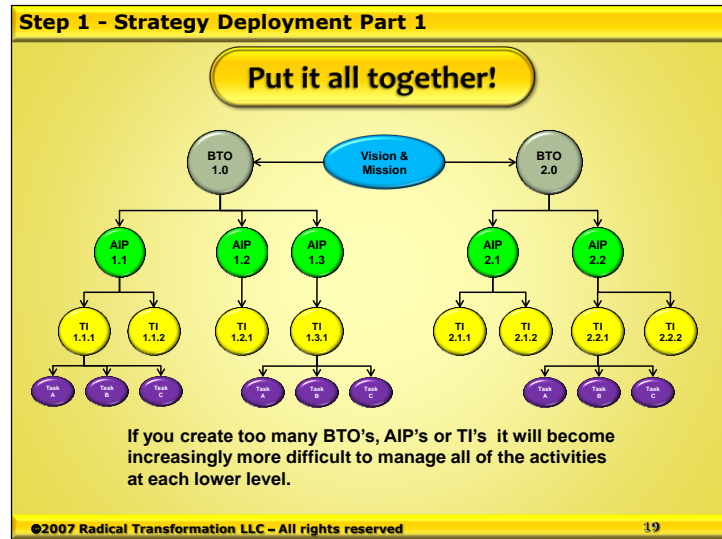
It's important to know if the process is working or not. The feedback from results will let you know the status of a process. It is important to ensure your results are clearly defined for your business, for instance:

- How many widgets were produced in comparison to yesterday?
- Did customer satisfaction improve since we changed our order process?
- Have costs reduced since we reduced our WIP levels?

These are typical examples of feedback or results, which determine the success level of an activity while it's being performed.

It's also very important to align feedback results and how they are interpreted at each level of the organization. For example, if an executive team determines one of their key performance metrics is to “improve cash flow”, how would employees on the shop floor be able to have a direct impact on this metric? They would probably not know what to do. However, if you asked them to find a way to reduce “work in process (WIP) or inventory levels” they would have a clear understanding of what it is and how to do it. Reducing WIP or inventory levels has a direct impact on improving cash flow.

## Lean Expert Course Workbook - Step 1 – Part 1



### Putting it all together

Now it's time to put it all together. Each level of the organization will be responsible for generating and having input into each of the levels and the activities of the Strategy Deployment process. However, the initial stages of the Strategy Deployment process take time and require consistent input from all levels of the organization. Many organizations think they can achieve this in a few hours or a couple of days, and this is not true. If the organization is dedicated and sincere in wanting to use Strategy Deployment to reap long term benefits, it will take resources to create the plan, and it will continue to be an ongoing exercise.

On the screen, you can see an example of a flow diagram. It is demonstrating how each level cascades down from the vision/mission to the lower levels and how all levels are interconnected.

- Vision and Mission breakout into Break Through Objective's (BTO's).
- BTO's break out into Annual Improvement Priority's (AIP's).
- AIP's break out into Target Improvement's (TI's).
- TI's will break out into a series of individual tasks (Tasks A, B, C, etc.).


Remember: a BTO could have 1, 3, or 5 AIP's, the same with TI's. The actual number of activities on each level will depend on the needs of the business.

## Lean Expert Course Workbook - Step 1 – Part 1

**Step 1 - Strategy Deployment Part 1**

**Let's Play Catchball**

- Catchball is a process where every management level looks at their BTO's/AIP's/TI's/Tasks from the organizational level above them.
- If they are not satisfied, they will modify them and bounce them back up to the previous management level for review.
- The purpose of this process is to end up with stretch goals that are aligned for every level of the organization to achieve the most effective results.



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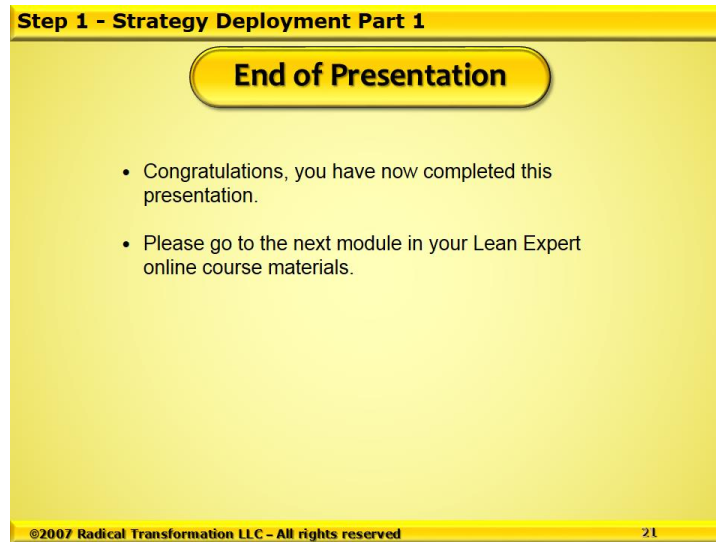
At each level of the Strategy Deployment development, the BTO, AIP, TI and Tasks need to cascade up and down to get feedback from each level. The purpose of this is to involve every level in the process and to get their buy in. To achieve this goal a process is used called “Catch ball”.

Catch ball is a process where every management level looks at their BTO's, AIP's, TI's and Tasks and discusses them with their direct reports to get their feedback. They try to see each activity from the viewpoint of the organizational level above them to determine if they can achieve the requirements. If they are not satisfied, they will modify them and bounce them back up to the previous management level for review.

The purpose of this process is to end up with stretch goals that are aligned for every level of the organization to achieve the most effective results to support the overall vision.

Many companies fail to go through this process and prefer to use an executive driven mandate to instill the needs of the organization to reach a vision. The reason this usually ends in failure is because the people doing the work don't know what they need to do to meet the goals.

## Lean Expert Course Workbook - Step 1 – Part 1



### **End of this Presentation.**

Congratulations, you have now completed this presentation.

Please go to the next training module in your Lean Expert online course materials.

## **Lean Expert Course Workbook - Step 1 – Part 1**

### **Reference Materials**

- 1. Hoshin Kanri for a Lean Enterprise: Developing Competitive Capabilities and Managing Profit.**

By: Thomas L. Jackson. Published by Productivity Press 2006.

- 2. Beyond Strategic Vision: Effective Corporate Action with Hoshin Planning.**

By Michael Cowley and Ellen Domb. Published by Butterworth-Heinemann 1997.

- 3. Translating Strategy into Action.**

By Duke Corporate Education, Inc. Published by Dearborn Trade Publishing 2005.

- 4. Strategic Planning For Dummies.**

By Erica Olsen. Published by Wiley Publishing, Inc. 2007.



## **Lean Expert Course Workbook - Step 1 – Part 1**

### **Documents List**

**No documents are required.**