

Hoshin Kanri: How Toyota Creates a Culture of Continuous Improvement to Achieve Lean Goals

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Published by personal-lean.org, 2016.

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HOSHIN KANRI: HOW TOYOTA CREATES A CULTURE OF CONTINUOUS IMPROVEMENT TO ACHIEVE LEAN GOALS

First edition. July 7, 2016.

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ISBN: 978-1393598411

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Hoshin Kanri

How Toyota Creates a Culture of Continuous
Improvement to Achieve Lean Goals
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Acknowledgments

I created this book with the help of more than fifteen different business resources. These academic articles and books are all cited at the end of this book. A number of people have influenced my learning journey and my entire career. I would like to acknowledge them here.

Esraa Soliman: My lovely wife and partner. She encouraged me to write and publish this work. In fact, she always encourages me to do creative work.

Jeffrey Liker: Professor at the University of Michigan and author of *The Toyota Way* and the amazing Toyota series of books. His impressive work on Toyota inspired and influenced my learning about the Toyota Production System. I would really like to thank him for his indirect involvement in this work. Many examples included in this book were originally from his books. Although I have never met Jeff face to face, we have had great communications over social media platforms.

Chris Duklet: A lean manufacturing leader from the United States who works in the field of health care. He has contributed to this work by reviewing the book prior to publication and giving me useful recommendations and advice.

Attia Gomaa: Professor at the American University in Cairo who influenced my teaching career at the university and taught me how to become a good trainer.

Steven Borris: A business consultant, author, and friend from England who influenced my writing career. He encouraged me to write and publish. Steven was my mentor on lean manufacturing, helping me first to understand the basics, after which I developed my understanding through deep practice and self-directed learning.

Eslam Soliman: My friend and a professor at the Assiut University. His PhD is from the University of New Mexico. He has influenced my entire writing career by giving me recommendations and advice on how

to write and publish. He revised my published works many times and kept inspiring me after every piece I wrote and published.

Introduction

I started writing after several years of experience using the Toyota Production System (TPS) and leading improvement projects for various industries and businesses. I have read many business resources and lean books. I studied the Toyota series of books by Jeff K. Liker. I wrote many publications about lean production and leadership, and I teach at the American University in Cairo.

For most of my career I have worked as a regular employee while educating people about the culture of continuous improvement. I have seen and lived in both bad cultures and good ones. Bad culture involves not putting people first or investing in them. People are the value in a system. Two main pillars hold up the Toyota Way: continuous improvement and respect for people. A good industrial manager knows that respect for people, which is about coaching, developing, supporting, and valuing the workforce, is the foundation of continuous improvement for any business process.

People are actually more important than the process, and companies that put process before people will not earn sustainable results. It's people who build, operate, modify, and improve the process. Therefore, developing people should be your company's highest priority. Focusing only on the process often leads to system failure.

Early on, Taiichi Ohno, codeveloper of the Toyota Production System, refused to document or write the system down for fear people would focus narrowly on the tools and theories. When he finally wrote it down, he presented it as a house (see figure 1.1) because a house is a good example of a system. Take away the supporting structures, and the roof and entire system will collapse. One of Ohno's students said Toyota made a mistake calling it the "Toyota Production System." Instead, Toyota should have called it the "Thinking Production System" because the real point was to make people think, and people are the value of any sys-

tem. People created, adapted, and improved the TPS and its tools, and people are still improving them every day.



Figure 1.1 The House of the TPS

This Book

This book focuses more on people than process, and I made it like a handbook—short and effective.

This book's purpose is to help leaders improve critical business processes, achieve strategic lean objectives, and improve focus, linkage, accountability, buy-in, communication, and involvement in a corporation. This requires a complete transformation in the management culture. People need to work together toward a clear purpose that aligns all people, plans, methods, and efforts with the business's needs.

It doesn't matter if you are a business manager or a young leader. You'll benefit from this book. If you're a CEO, director, or business consultant who seeks the right process to turn around your company, this book is certainly for you. Middle managers and business leaders can learn the method and techniques used by the world's greatest manufacturer (Toyota) as described in this book to deploy lean strategies and devel-

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op leadership. Shop floor managers and operational leaders can benefit from this book by learning how to develop themselves, align their goals with the company's vision, and be in accordance with the company's values and strategies.

This book's main purpose is to establish a successful implementation model for the *hoshin kanri* process. This is a Japanese method of aligning goals and deploying a business strategy. Hoshin kanri has been Toyota's method of setting and achieving its vision. This technique, if used properly, will help organizations improve performance and align plans. This method values efforts and behaviors with clear purpose and develops a new culture of continuous improvement throughout the organization and among all employees. Culture and people development are important to sustain performance results.

How to Read This Book

The book does not present a traditional business model but considers a successful one from the best Japanese automaker. This book's main focus is on the human side and the management culture. Because the book is short, I recommend reading it in order. Chapter 1 discusses the lean management concept and how traditional management approaches have created barriers in the improvement journey. Chapter 2 discusses how to link strategic thinking to the shop floor and the role of *gemba* as a place to teach and learn management. Chapter 3 discusses the development stages of the business vision, strategies, and values with a focus on the five core values of Toyota. Chapter 4 discusses motivation as part of the process. Chapter 5 discusses the lean turnaround process. Chapter 6 discusses the routine of culture change as well as improvement and coaching behaviors (*kata*).

Hoshin Kanri and Strategic Business Improvement

Many organizations are trying to improve their businesses without shared visions or clear purposes that align people, plans, methods, and efforts with strategies to achieve their business objectives. If you have well-trained people capable of taking on challenges, you just need to let them

focus on your needs and utilize their energy for business survival and improvement. Other businesses have shared visions but no capabilities. They have no real leaders capable of taking on the challenge, developing people, and empowering them to improve the process.

People often ask which comes first: developing vision, clear purpose, and alignment or improving people's capabilities.

It makes sense to develop people first and then roll out the hoshin kanri. Liker and Convis (2012) initially mentioned the leadership development stages, and Liker and Trachilis (2015) summarized them as follows: (a) committing to self-development, (b) learning to lead at the gemba, (c) learning by teaching and developing others, and (d) learning by doing and implementing real projects using the continuous improvement philosophy. Those points will be discussed briefly in chapter 2.

The Origination of Hoshin Kanri

Hoshin kanri originated in Japan. "Hoshin" means "direction." It means we are all moving in the same direction and playing the same game. Imagine each department is working on its own piece. There is no alignment or movement toward a common goal to push the organization forward and higher. These departments will not function well together. You really need to get those departments moving in the same direction.

"Kanri" relates to how you do it. To do it, you need to develop leaders. However, an organization still needs a clear purpose to align people and move forward in the right direction. It also must know what to do to align people with that direction using the appropriate management behavior. Hoshin kanri literally means the management method of setting a strategic direction and pursuing achievement.

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Chapter 1

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How Hoshin Kanri Is Different from Other Management Approaches

If you want to improve costs and cash flow, you can simply lay off people and cut resources, which requires no problem-solving skills. Alternatively, you can improve the way things are being done. This includes reducing inventory. To reduce inventory, you need to establish and set up production in cells and move to just-in-time production. You need to deliver parts more frequently and finally get to total system pull. You will also need leveling for more flexibility, and you will need faster changeover. This requires management practice and a lot of problem-solving processes. Without visualization, daily checks, engagement from operators in problem solving, and management buy-in, things won't work.

Hoshin kanri cares about the method rather than the result. It encourages employees to show how they're going to do something. It says to write an A3 proposal, get people to express their problems, and empower them to fix problems immediately as they reveal themselves.

I no longer believe in results and numbers only. I believe the right process will produce the right results. Top performances come from great people running great processes, and people made those processes. Therefore, method, plan, training, and people development are the main focuses. Hoshin kanri is an open-minded method. Hoshin kanri is not just management by means or results. It works under a system of self-development and motivation.

Hoshin Kanri as the Opposite of Management by Objectives

For decades, management has relied on the old principle of management by objectives (MBO)—also called management by results (MBR). This is a short-term method and not a philosophy. Peter Drucker (1954) invented the theory, and it is still being taught in many business schools.

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The principle focuses only on the results and numbers and rewards the winners. This means businesses don't care how their employees do things—so long as they get the numbers. They might lay off people, ignore employee trainings, lose the trust of their employees, break the law, ignore team orientations, or produce unsustainable processes to get the numbers quickly. As long as they get the numbers, though, they are fine. Those who succeed get rewarded, and those who fail are punished. This makes people hide their problems and resist change. It creates a very bad culture that leads to bad results. Still, though, many companies think MBO as a tool is not a problem, but what is MBO as a tool? It is managers making decisions about what they believe the business needs and turning those decisions into objectives for their people. Sometimes objectives are discussed among groups of people, but often they are handed down from the top. Since the focus is only on the results, there are many lost opportunities.

MBO and other traditional management habits focus on managing people based on command and control. This is management through systems. Managers have learned to manage processes from a distance. They work from their offices with no direct involvement in those processes. They have lost their connection to reality. As a manager, it is your job to manage people. However, many managers make employees do their jobs and apply systems instead of empowering, developing, and motivating those employees. Managers should get employees to agree about problems and seek solutions by themselves or with the help and support of the managers to remove roadblocks and encourage new ideas. In MBO systems, managers tend to use metrics to evaluate people and control them. Metrics should be used to evaluate progress and guide employees in the right direction. People should have a degree of autonomy and feel they are contributing through the success of their work rather than being used to achieve process results.

Hoshin kanri, however, focuses on people—not the process. It details how people can be developed to solve their own problems.

Management is really about teaching and improving. This is not to say that hoshin kanri is a miracle. Managing people to get sustainable lean results requires strong leadership. People are naturally resistant to change. It is very difficult to get them to change their behaviors. Plus, many people still view improvement methodologies such as lean as tools for cutting resources. Therefore, people are fearful about losing their jobs as a result of process-improvement efforts. One of the most common problems leaders face when implementing lean is getting buy-in from the top senior managers and getting the bottom workers involved. Bottom workers need to feel they are protected and that lean won't make them lose their jobs. Layoffs must be separated from lean results.

In lean strategy, managers should pay attention to details and use the management technique of "go and see." Simultaneously, they should focus on strategic thinking and the true north. This is unlike MBO, which focuses only on strategic thinking and doesn't link this to shop floor efforts. There is a lost connection between shop floor efforts and strategic business objectives. This connection is very important, though, to get everyone in the company to contribute to achieving business results.

Linking Strategic Deployment to the Shop Floor and Aligning People

In bureaucratic management there is poor linkage between the shop floor's efforts and the organization's goals. Every department is working toward its own objectives.

Linking strategic deployment to the shop floor is one of the ultimate lean goals. The point of having a vision and clear targets is to keep your people focused on clear things, and sooner or later, you will gain their trust, and everything will be easier.

You have to be clear about what you want to achieve. Reducing scrap by 10 percent is a target, but how might this reflect your business needs and current situation?

Spending too much time on the shop floor won't get it done. You have to link your strategic deployment to the shop floor. This is Toyota's

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ultimate strength (Balle and Balle 2010). You have to link your work and translate your efforts to achieve the goals that reflect the current business needs. This will help ensure long-term business survival and improvement.

Efforts should reflect something that serves the business's needs. This could include doing a lot of *kaizen*^[1] to improve productivity, standardize the work, and reduce quality defects. What needs to be done to improve the business right now? If a business wants to improve cash flow, look to reduce inventory and improve turns. Make cells, manufacture parts in single-piece flow, move to a pull system, level the product mix, and speed up the changeover. This can reduce batch sizes and improve cash flow. With daily management support, it can also achieve a greater focus on people development. Establishing a clear direction and making sure the efforts are concentrated on high-payoff problems will yield results. Evaluation parameters must be used to establish a link between budget indicators and problem solving (Balle and Balle 2010).

To be one of the leading suppliers in your industry, you need to get new customers. You have to prove your product is superior in quality. To improve quality, you have to improve the process on the shop floor. To reduce defects and improve quality for your customers, you need the *jidoka*^[2] approach, and you need to prevent bad parts from passing to the next process. Machines have to be designed to recognize the bad parts—just as people have to be trained to do so. Then the proper management procedures must be in place to ensure defects are detected and removed.

Establish metrics for shop floor efforts and use visual boards to present the targets. This way, people can work to achieve the targets and solve problems. They will be able to see how these targets are tied to the bigger stream and the business objectives.

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