Several years ago, a paper converting machinery OEM saw its engineering costs skyrocketing. Two years after a Hoshin Kanri deployment, the company decreased its engineering costs by more than $1 million annually.

What is Hoshin Kanri? It is a methodology for successfully implementing strategic business improvements through small, manageable projects. The Hoshin Kanri system leverages the expertise and creativity of employees to identify and prioritize improvement projects. At the same time, it enlists the commitment of senior management to give the improvement teams the support and resources needed to complete those projects.

The words Hoshin Kanri translated from Japanese mean pinpoint focus. That focus is aimed at multiple small-scale improvement projects in strategically important areas of the business. The roots of the Hoshin Kanri process can be found in Japanese reconstruction following the Second World War and the rise of the quality movement in Japanese manufacturing. There are a wide range of Hoshin Kanri methodologies. The process discussed in this article has been implemented successfully on a number of occasions here in the United States and can be used as is or modified to suit individual needs.

The process:
- Offers a structured approach
- Drives organizational focus on priorities
- Links and aligns the total organization
- Resolves resource conflicts
- Deselects lower priority projects
- Communicates clearly
- Monitors and corrects in real time

**Step 1: Strategy Deployment**

A management team begins the process by identifying strategic area(s) to focus on for producing top line or bottom line improvements. It is essential that the management team commit to supporting the improvement projects. This typically means giving personnel time from their main responsibilities to work on the projects.

Management must also allocate funds for appropriate out-of-pocket costs and communicate to employees that these projects are “must do – can’t fail” initiatives and that employees will have the resources
and management’s backing to bring the projects to a successful conclusion.

The improvement projects are relatively small and self-contained. This is a safety net for the organization. The organization is not engaging in a bet-the-company effort. It is a process for incremental changes over time that are additive in terms of overall impact. Some participants think of it as “producing improvements one small project at a time.”

Once the management team identifies the strategic area to improve, small teams of no more than eight employees at a time are brought together for a project identification and prioritization session. These sessions take anywhere from a half to a full day. Employees are asked to generate ideas for improvements in the area identified for improvement by management. Each person is asked to provide three ideas and each idea is written on an individual Post-it note. Notes are put on a white board.

Each cluster of ideas becomes a strategic area of improvement.

There will be 24 Post-it notes for each eight-person session. Employees then physically sort ideas that are related. For example, ideas that touch on training become a training cluster or engineering related suggestions become an engineering cluster. Each cluster of ideas becomes a strategic area of improvement. A group tasked by management with improving converting machine uptime might find its total of 24 ideas cluster naturally under training, maintenance and changeover. There may be five ideas under training, ten under maintenance, and nine under changeover. The group then prioritizes the projects with most important at the top of the board to least important at the bottom. The most important ideas for improvement in each cluster will become the first projects undertaken.

In the photo below there are eight strategic areas for improvement that have been identified by several Hoshin Kanri sessions with employees. These cluster areas are identified by pink Post-it notes. One of the key points to realize about this process is that the idea generation and ultimately the project list came from the people whose jobs relate to this area. These improvement projects have bubbled up from the bottom and are not imposed from the top. This process fundamentally acknowledges that those performing the work are the ones in the best position to identify places where improvements can be made and ensures the commitment of employees to the projects.

The Hoshin Kanri system leverages the expertise and creativity of employees to identify and prioritize improvement projects.
Step 2: Project Implementation

There are a few fundamental points to keep in mind for successful project implementation under a Hoshin Kanri deployment. Each project is considered must do – can’t fail. This means that if a project appears to be in trouble in terms of completion, then more resources and attention need to be allocated. Projects will not take longer than 12 weeks to complete. If during initial planning a project looks like it could take longer, then it is broken into two or three projects. The reason for project brevity is that short projects with firm deadlines are more manageable by employee led teams. And it is also in the spirit of the pinpoint focus of Hoshin Kanri.

The paper converting OEM, described earlier in the article wanted to decrease machine engineering time. The company implemented projects that achieved relatively small engineering process improvements, saving two to five hours each. Over the course of two years and hundreds of small projects those tiny reductions added up to a $1 million annual decrease in engineering costs.

The status of projects, subtasks to completion, the personnel on the project, project leader, individual responsibilities — all of the major aspects of a project — are made easily visible to the project team by prominently displaying on a wall or bulletin board a 20 x 20 inch or even a 30 x 30 inch project matrix worksheet.

Matrix 1 below shows the cells of the worksheet. The second worksheet has a simple color coding that identifies whether a project is a completed, current, or future task and whether active projects are progressing satisfactorily — the color green — or experiencing problems — the color red. The poster-like matrix helps everyone on the team and within the organization know the current status of the must do — can’t fail project. The image below shows the status as green.

The section of the worksheet on the opposite page shows the status of week eight milestones. P stands for starting the milestone, E for execution, and X for finishing it. In this example the week eight milestone has been achieved.
Hoshin Kanri and the project matrix worksheet are methods for taking complex issues and breaking them down into actionable pieces. The people closest to a process come up with the ideas to improve the process. Management clears the way for the improvement teams to succeed. If this process seems simple, without a lot of bells and whistles, it is. It is also a process that fundamentally understands organizational realities of achieving strategic bottom line improvement — top down commitment to project implementation, employee creativity and engagement, clear communication, incremental and achievable successes, and a must do — can’t fail culture.

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Target Date: 31-Mar-09

Summary notes:
- On track, no concerns
- Review current requirements document

Future Notes: